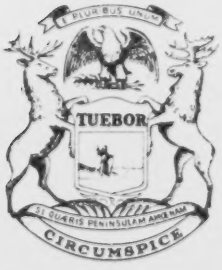
ANNUAL REPORT

FINANCIAL INSTITUTIONS BUREAU

Calendar Year

1984



Michigan Department of Commerce

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ANNUAL REPORT

CALENDAR YEAR 1984

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COMMISSIONER'S COMMENTS

This is the ninety-sixth annual report of the Financial Institutions Bureau. I am pleased to report that Michigan's financial institutions generally are healthy and serving the needs of Michigan residents.

Nineteen eighty-four has been, for the Bureau as well as many of the state's institutions, a year of appraisal and reassessment of goals. The previous four years ushered in, along with a gradually improving economic climate, a period of rapid deregulation for financial institutions. It was necessary in 1984 to stop for a moment and assess the extent of the changes which had occurred and their likely impact on financial institutions in planning for the future. The deregulation of deposit interest rates, which is nearly complete, engendered a plethora of new deposit products. Discount brokerage, insurance, real estate development and security brokerage and underwriting are a few of the new powers being exercised or contemplated by financial institutions.

We have continued to pursue legislation to establish market-based interest ceilings on consumer credit extended by Michigan lenders. This is important to balance deregulation of deposit interest rates on the other side of the ledger. However, in order to assure optimal functioning of these markets, appropriate consumer protections must be addressed in conjunction with establishing market-based ceilings. Protections being discussed include limits on loan rate variability, additional informational disclosures and required use of simple interest.

I believe, however, that the most significant deregulation which will occur in the next few years will involve bank structure. The artificial barriers to bank branching and expansion have begun to crumble. Last year, the Comptroller of the Currency approved applications to establish a number of "nonbank banks" (organizations which either do not make commercial loans or do not take demand deposits and are believed by some to be exempt from state and federal restrictions on interstate banking). Regional reciprocal banking laws are in place in New England, will take effect in July 1985 in the southeastern states, and have been discussed in a number of midwestern states during 1984. Of course, it can be argued that some money center banks and retail establishments already are offering banking services nationwide and that it is just a matter of time before state legislatures and Congress catch up with marketplace realities.

As the nature of financial institutions and financial services has changed, so, too, regulation of financial services has evolved. Even though the Bureau's basic goals have not changed, recent changes in financial institutions mean that this Bureau cannot effectively regulate in the same way it did only a decade ago. Contrary to expectations in some quarters, the deregulation which has occurred to date in the financial industry has not necessarily reduced the role of regulatory authorities, but instead has changed its emphasis and character.

Maintaining public confidence in the state's depository institutions by assuring that institutions follow sound financial practices remains a high priority, as does assuring that financial services are available to meet public demand. Our basic tools include careful reviews of applications for new institutions or trust powers, periodic examinations, board meetings, ongoing analysis of financial reports and, where needed, enforcement actions to deal with identified problem situations. Assuring that we continue to have effective means of achieving these goals in a rapidly changing environment has been important to me. Therefore, we are continuing to refine our arsenal of regulatory tools and techniques.

Our examiners are spending more time evaluating the quality of management, asset quality, capital levels, earnings and liquidity. Remote off-site automated surveillance will be playing an increasingly important role in our revised programs. It is expected that new micro-computer technology will give us access to information on a more timely basis. Machine generation of consolidated and

comparative data has enhanced examiners' ability to evaluate the financial condition of banks and credit unions and to identify trends and conditions that need further review.

The Financial Institutions Bureau's budget requests for subsequent fiscal years reflect our commitment to achieving these goals. We have requested resources to fund the people and equipment needed to accomplish our transition. Our recent and proposed budgets also reflect increasing amounts to be devoted to training. This emphasis on training is intended to assure that Bureau staff maintain their standard of excellence in the years to come as they deal with the increasingly complex financial institutions of the not-too-distant future.

We have been unsuccessful in our attempts to improve funding for our savings and loan supervisory activities. Present funding is inadequate to supervise state-chartered savings and loans effectively, since it supports an examination staff of only two. Staffing can be increased, but only if legislation is enacted to place savings and loan supervision on a self-funded basis. Self-funding of bank and credit union supervision, whereby the examination and other fees paid by the institutions fully support their regulation by the Bureau, has been in place for several years. We have found that this method provides a more stable level of funding and thereby improves our ability to provide continuing effective supervision.

In order to assure that we continue to provide the best possible supervision of state-chartered financial institutions, I will be requesting that the Conference of State Bank Supervisors (CSBS) conduct a review of the Bureau's operations. The review will be conducted by our peers in other states and will identify areas, both operational and regulatory, in which we may need improvement. It may also point out ways in which we can better allocate our budgetary resources. An agency which passes muster is accredited by CSBS for a five-year period, which will provide federal regulatory agencies and the public substantial credible and objective evidence of the quality, reliability and dedication of state banking departments. This is crucial, since, if federal regulators are to reduce their role in direct supervision of state-chartered banks, as recommended by the Bush Task Group report, they need to rely more heavily on reports and information from state banking departments. CSBS' review should be conducted late in 1985.

When I assumed the helm of the Bureau, one of my major objectives was to expand the role financial institutions play in the economic development and revitalization of Michigan. This remains an important goal - one which will be achieved without compromising this agency's responsibility to maintain a safe and sound financial industry. However, the role of financial institutions in economic development can only be expanded if we can assure the continued health and vitality of Michigan financial institutions.

In order to determine whether our financial institutions are strong enough to be a further catalyst for Michigan's economic development, the Bureau developed a new supervisory tool. We worked very closely during 1984 with federal regulators to refine a process by which, in a coordinated effort with the three federal bank regulatory agencies (Federal Reserve, Comptroller of the Currency, and the Federal Deposit Insurance Corporation), all affiliated banks in a holding company are examined simultaneously. This procedure enables all the cognizant agencies to get a broader perspective of the operations of the entire banking organization instead of seeing only a small piece at a time. The concurrent examination of holding company bank subsidiaries is important because holding companies control 62.1% of the state's banks and 86.4% of the total deposits held by Michigan banks. Only by having safe and sound financial institutions, can we assure success in our efforts to significantly broaden their role in Michigan's economic revitalization.

In 1985, we intend to refine the new supervisory techniques we have developed, and to pursue additional techniques for dealing with special concerns. We will be expanding our use of off-site examination techniques and developing systems for

utilizing micro-computers to assist and speed the examination process.

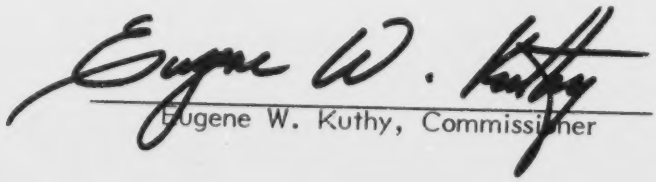
Continued training for examination staff will again be a high priority. Concerns about the grave social problems too often associated with large currency transactions and the extensive press coverage during late 1984 and early 1985 concerning the many institutions which have not complied with federal currency reporting requirements have prompted us to pursue means of monitoring such activity. We will be discussing this issue with our federal counterparts to determine how we can integrate our efforts with theirs.

We also intend in 1985 to strengthen our efforts to encourage foreign banks to locate offices in Michigan. Foreign banking legislation was enacted in September 1984. Already we have visited our counterpart agencies in New York, Georgia, California and Illinois, states which already have experience in supervision of foreign banks, to learn how they effectively regulate foreign bank agencies. We have also commenced a series of meetings with U. S. officials of major foreign banks to explain the new law first hand and to explain Michigan's advantageous location, tax structure, and improving economic climate. The presence of foreign banks in the state may encourage some other foreign firms to locate their U. S. offices here creating new jobs, diversifying the economy, and strengthening local economic climates.

Since the end of the year, two topics have demanded much of our attention. One is the continuing negotiation of a major financial reform bill, which was begun in 1984. I am hopeful that I will be able to report next year that negotiations were successful and that reforms have been enacted.

Bureau staff have also been heavily involved in assisting to develop solutions to the agricultural credit crunch in early 1985. Bureau staff helped to develop legislation to use certain state surplus funds deposits in banks for agricultural credit needs and, in addition, have staffed the hotline for farmers.

Yet another major achievement post year-end was our long-awaited relocation in March to 111 South Capitol Avenue across the street from the State Capitol. From our top floor perch, the outlook for 1985 is exhilarating.



Eugene W. Kuthy, Commissioner

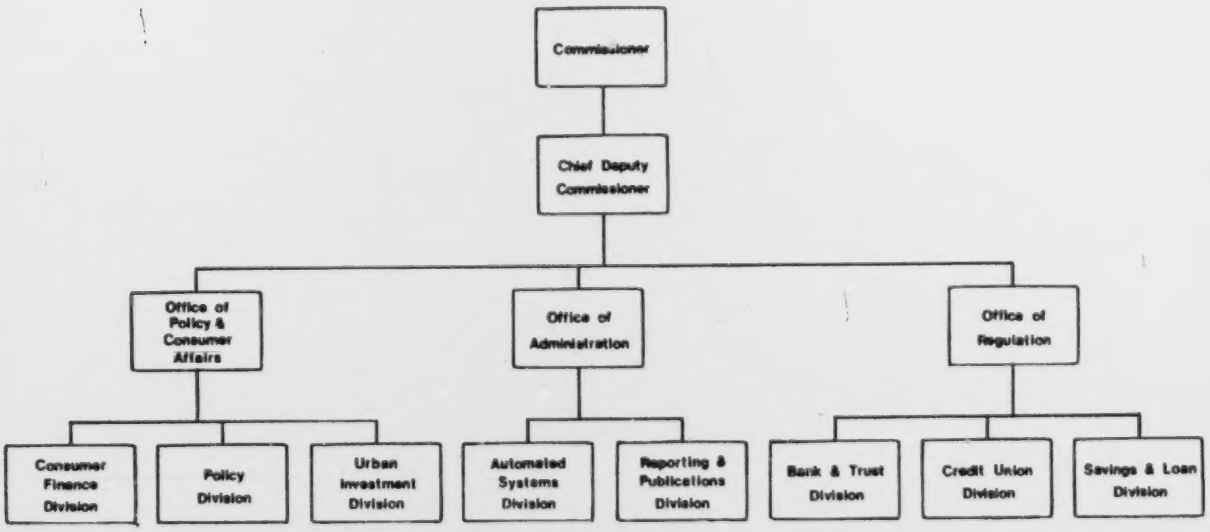
FINANCIAL INSTITUTIONS BUREAU

The Financial Institutions Bureau of the Michigan Department of Commerce was created under Section 11 of the Michigan Banking Code of 1969 and is responsible for the chartering, regulation, examination and supervision of state-chartered banks, credit unions and savings and loan associations. The Bureau also licenses and supervises the activities of regulatory loan, motor vehicle installment seller, sales finance, secondary mortgage and sale of check licensees; administers and enforces Michigan's mortgage anti-redlining law; monitors electronic fund transfer activities and conducts various consumer complaint and information programs.

Organization

The overall administration of Bureau activities is the responsibility of the Commissioner of the Financial Institutions Bureau. The Commissioner is appointed by the Governor with the approval of the Senate and serves at the pleasure of the Governor under the provisions of the Michigan Banking Code. The Commissioner is assisted in the administration of the Bureau by a Chief Deputy Commissioner, Deputy Commissioners of the Office of Regulation and Office of Policy and Consumer Affairs, and the Director of the Office of Administration.

Organizational Chart



Mission and Goals

The primary mission of the Bureau is to ensure that Michigan's state-regulated financial institutions are financially safe and are providing needed financial services to the general public. To fulfill this mission, the Bureau has three major goals:

1. To insure that sound financial practices which minimize the risk of insolvency are being exercised.

2. To insure that financial services are available to meet public demand and that consumer/depositor protections are adequate.

3. To foster Michigan's economic growth and diversification.

The Bureau achieves these goals by:

- Examining and supervising financial institutions;

- Pursuing programs that encourage self-regulation on the part of financial institutions;

- Developing an efficient and effective staff; and

- Developing and maintaining open lines of communication with consumers, financial industries, governmental agencies and others.

Bureau Revenue and Expense

Since December 1982, revenue from regulated banks and credit unions has been restricted for use solely by the Bureau. Legislative proposals are under consideration to restrict revenue from regulated savings and loan associations and various licensees for use only by the Bureau.

Total revenue in FY 84 was $4,375,000 which was an increase of 23% over FY 83 revenue of $3,556,000. Bureau expenditures increased by 10%, from $4,583,000 in FY 83 to $5,063,000 in FY 84. The ratio of revenue to expense increased from 77% in FY 83 to 86% in FY 84. An expenditure increase of 10% is projected for FY 85 with the ratio of revenue to expense reaching 90%.

BUREAU REVENUE AND EXPENSE

Dollars in Thousands

Program	FY 1981		FY 1982		FY 1983		FY 1984	
	Revenue	Expense	Revenue	Expense	Revenue	Expense	Revenue	Expense
Bank and Trust	$2,261	$2,274	$2,323	$2,479	$2,334	$2,563	$2,752	$2,898
Credit Union	543	1,099	656	1,269	998	1,294	1,410	1,467
Savings and Loan	65	242	60	248	53	225	51	263
Consumer Finance	171	324	152	338	171	315	162	275
Mortgage Anti-Redlining	0	144	0	176	0	186	0	160
TOTALS	$3,040	$4,083	$3,191	$4,510	$3,556	$4,583	$4,375	$5,063

Regulatory Responsibilities

At year-end 1984, the Bureau was responsible for the regulation, examination and supervision of over 800 financial institutions with assets in excess of $39 billion.

STATE-REGULATED FINANCIAL INSTITUTIONS

Dollars in Billions

	Banks		Credit Unions		Savings and Loans		Regulatory Loan Licensees		Totals	
	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984
Main Offices	248	248	516	500	20	20	88	72	872	840
Branch Offices	1,140	1,142	---	---	120	82	---	---	1,260	1,224
Total Assets	$29.9	$32.7	$4.0	$4.4	$3.5	$2.6	$.2	$.2	$37.7	$39.9
Total Loans	$14.6	$17.7	$2.0	$2.4	$2.8	$2.0	$.1	$.1	$19.5	$22.2
Total Deposits	$25.8	$28.0	$3.6	$4.1	$2.7	$2.1	---	---	$32.1	$34.2

It is primarily through the examination and supervision process and the regulation of corporate activities that the Bureau determines if Michigan's state-regulated financial institutions are complying with applicable law and exercising sound financial practices. Due to the current trend toward the deregulation of financial services, the need for adequate examination and careful supervision of financial institutions is steadily increasing. Deregulation places a greater emphasis on management talents and exposes those institutions with inadequate management to a much higher level of risk to their safety and soundness. Consequently, the Bureau will be playing a more active role in evaluating management, boards of directors, their policies and programs. The Bureau is continuing to pursue steps to ensure that each institution's board of directors and management recognize their responsibility for the safe and sound operations of the financial institution.

During an examination, Bureau examiners evaluate such key factors as an institution's quality of assets, capital adequacy, earnings, liquidity, management capacity and performance, policy adequacy and implementation, consumer compliance and adherence to law. If an examination reveals a situation which may constitute a potential threat to the safety and soundness or the solvency of the institution, appropriate supervisory action is initiated. Such action may include board meetings, memoranda of understanding, cease and desist orders, officer and director removals and an extensive program of follow-up visitations of problem institutions.

In addition to examinations, the Bureau conducts on-premise evaluations of data processing centers serving financial institutions. The purpose of these evaluations is to bring to the attention of financial institutions areas in data processing operations which could lead to inaccurate, interrupted or discontinued processing.

In response to the changing conditions confronted by today's financial institutions, the Bureau has been pursuing additional techniques and mechanisms for monitoring financial institutions' performances. In early 1984, the Bureau engaged with federal regulators in the first simultaneous examination of all the banks in a major bank holding company and of the holding company itself. Though the coordination effort was enormously complex, all benefited from the opportunity to observe each other's methods and from the different perspectives brought to discussions on major issues. This type of examination was an unqualified success and will become more common in the coming years.

In conjunction with examinations, the Bureau is developing additional offsite financial analysis techniques through the use of microcomputers. Offsite automated surveillance will improve the Bureau's ability to recognize warning signals and deal with adverse trends on a more timely basis. The new microcomputer technology will facilitate financial modeling and help us to understand how changes in market conditions will and do affect financial institutions, individually and collectively. The machine generation of consolidated and comparative data will free examiners' time for closer inquiry into quality of, and adherence to, formal policies and operating procedures, and quality of management.

Outlook for the Future

One of the main objectives of the Bureau is to help foster economic growth in Michigan. Financial institutions traditionally have played a vital role in promoting economic development and expansion in our state and will continue to do so in the future. The Bureau is strongly committed to researching and developing new programs which are responsive to public need, encourage innovation and competition within the industry, and assist in Michigan's economic revitalization.

SIGNIFICANT DEVELOPMENTS

Implications of Financial Services Deregulation for Supervisory Activities of Bureau

Readers of last year's annual report will recall that the Bureau questioned the conventional wisdom which holds that the trend toward deregulation has lessened the need for the adequate examination and careful supervision of financial institutions. The view expressed held that deregulation of interest rate ceilings on deposits and expanded service offerings by financial institutions eventually could increase risk (or, at least, create new risks) and thereby threaten safety and soundness. This forward-looking statement was necessarily general since, at the time, not all of the new risks could be foreseen. Only with the passage of time could managers of financial institutions and regulators gain the experience needed to begin to assess and effectively deal with the risks.

Now, nearly five years after the passage of the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA) and over two years after the enactment of the Garn-St. Germain Depository Institutions Act of 1982 (DIA), it is easier to present some specific examples of the results of deregulation. Discussed below are three by-products of deregulation -- adjustable rate mortgages (ARMs) with deeply discounted initial rates, brokered deposits, and the higher account service charges and hold periods on checks. The first two examples involve safety and soundness while the third concerns the affordability of certain basic banking services.

ARMs with Deeply Discounted Initial Rates

The ARMs with initial rates set several percentage points below the prevailing market rate on fixed-rate mortgages, often called seller buydowns, began to appear in 1983. The ARMs with deeply discounted initial interest rates nearly always provided for automatic increases in the rate on the mortgage beginning after an initial grace period. The artificially low initial monthly payments on such mortgages typically did not remain low for long since increases in the payment were needed to compensate the lender for the initial discounted payments. In some cases, the monthly payment rose sharply at each of several steps beginning with the first adjustment following the initial grace period. In effect, a mortgage with a discounted initial rate ofttimes was transformed in the space of two or three years into one with a rate near the prevailing market rate and an extremely high monthly payment. The source of much of the problem with the ARMs which have a deeply discounted initial rate is that the borrower may have met the lender's underwriting standards to obtain a large mortgage loan only because of the low initial rate and monthly payment.

Some observers believe that lenders which have made ARMs with deeply discounted initial rates may have traded market risk (risk that market interest rates will rise resulting in a depreciation in the value of a fixed-rate loan) for greater credit risk. That is, while ARMs may protect lenders against unexpected jumps in interest rates, they may trigger higher rates of default if borrowers are unable to meet their higher monthly payments.

The heightened credit risk wrought by ARMs with deeply discounted initial rates represents one of the first examples of a risk which is a by-product of deregulation. Bureau examiners have determined that use of this type of mortgage by Michigan state-chartered lenders has been rare. Examiners in the Savings and Loan Division have advised institutions that if they make ARMs with deeply discounted initial rates, they should insure that borrowers are qualified based on a higher rate that more truly reflects the expected cost over the life of the loan.

Elsewhere, the Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae) and private mortgage insurers have called for tighter rules on ARMs to head off a more serious problem than exists now.

Brokered Deposits

The growing use of brokered deposits is an outgrowth of the deregulation of deposit rate ceilings. The phased elimination of Regulation Q ceilings, a process now nearly complete, was superimposed on the existing federal deposit insurance system which, in many cases, in effect provided protection beyond the stated $100,000 insurance limit. Many observers argued that the dismantling of Regulation Q, though desirable, was incompatible with the current system of deposit insurance characterized by fixed-rate insurance premiums and selective de facto 100% protection. The concern is that a depositor will deposit funds in an institution paying the highest rate with little or no regard given to the financial condition of the depository institution involved. Institutions relying heavily on high-cost, brokered deposits (funds channeled through brokers which shop for the institutions offering the best rates on deposits for given maturities), it was argued, would use the deposits to fund high-yielding but risky loans and investments. Brokers often break up their clients' (institutional investors) funds into $100,000 amounts, each fully protected by federal insurance. The increasing use of brokered funds, in some cases, has resulted in the use of fully insured deposits to fund reckless investments. In response to the growing use of brokered funds, the FHLBB and the FDIC issued regulations to establish a $100,000 limit on insurance coverage per broker per institution. The regulations prohibited a broker from buying a jumbo certificate of deposit and selling fully insured shares of the instrument to several institutions. However, a ruling in federal district court overturned the regulations, holding that neither agency could adopt a regulation that would require that insurance coverage of deposits made by persons through a deposit broker differ from the coverage on deposits of such persons not made through a broker. The court, thus, left the issue for Congress to address.

Various proposals to reform the current federal deposit insurance system have surfaced including risk-based deposit insurance premiums, requiring increased disclosures, and co-insurance. To date, the problem has not been resolved.

Service Fees and Charges

The elimination of Regulation Q gave depository financial institutions an opportunity to pay cash interest at rates competitive with market-determined rates on money market investments. Before steps were taken to deregulate, financial institutions could compete primarily indirectly through noncash forms of interest, e.g., offering services priced below cost and the convenience of many branch offices to serve the consumer. It was well-recognized that deregulation would usher in "unbundling" of services with institutions moving toward charging a fee for each service rendered. In theory, deregulation would lead to explicit market pricing of all services. Depositors would earn market rates of interest but, in many cases, would pay fees for services which formerly had been "free" or priced below cost.

It was recognized that there would be winners and losers as deregulation unfolded but it was hoped that the adjustment would not be too disruptive. While consumers generally have benefited under deregulation, there have been cases of financial institutions charging high fees for services, in some cases, charges far in excess of cost plus a reasonable profit. Because of concerns over this issue as well as the delayed availability of funds policies of some depository financial institutions, the Bureau mailed a letter to each institution, urging that it "... review its current practices regarding fees and charges and make complete schedules of prices available to its customers" and "disclose ... current practices regarding delayed availability of funds in a customer's account."

Subsumed in the controversy over fees, is the concern about whether some depositors, i.e., those with small amounts to deposit, will be able to continue to afford banking services, even basic ones such as checking and savings accounts. The issue is whether financial institutions, in a deregulated environment, should be required to offer so-called "lifeline" services to the poor and the elderly. Do financial institutions, already heavily regulated businesses, have a "social responsibility" to provide certain stripped-

down services to the poor at affordable but subsidized prices? This promises to be an important issue in the future.

Potential Role for Foreign Banking in Economic Development

One of the goals of the Blanchard Administration is to see what additional role financial institutions can play in the Governor's program to create jobs and diversify the economy. One part of the Administration's program to increase the supply of capital in Michigan was Senate Bill No. 187, which the Governor signed into law on October 15, 1984 (P.A. 250). The legislation, which was originally developed by Bureau staff, allows foreign banks to establish agency offices in this state, with the goal of attracting new capital for investment purposes into Michigan. Regulators in states which have permitted foreign banks to establish offices, report that foreign banks have made sizeable investments in their states, and that the presence of foreign banks in a state can be attractive to foreign industries looking to establish U. S. offices. If foreign banks establish offices in Michigan and if foreign manufacturers and service providers follow the lead of their banks, then this legislation could help to create jobs for Michigan residents.

Since the purpose of the bill is to attract capital into Michigan, there were concerns about deposits of state residents being channeled to out-of-state uses. The bill prohibits foreign bank agency offices from accepting deposits and exercising fiduciary powers. Prior to the passage of this bill, the Bureau received inquiries from several foreign banks regarding the establishment of offices in Michigan. The Governor's visit to Japan and China in 1984 exemplifies the growing interest in improving business and expanding trade relationships with Asian nations. Foreign banking legislation could facilitate development of such relationships.

The Bureau has taken steps to implement the foreign banking legislation. It developed an application form to establish an agency office. In addition, the Department of Treasury, at the request of the Bureau, prepared a memorandum explaining the single business tax treatment of foreign bank agencies.

Bureau representatives and other state officials, on October 4, 1984, traveled to Atlanta, Georgia, to meet with State Banking Department authorities to gain an understanding of the steps they took to implement their law which, like Michigan law, permits foreign banks to establish agency offices in the state. On October 15, 1984, the Commissioner and top staff traveled to Washington to meet with persons in the divisions of foreign banking at the Comptroller of the Currency and the Federal Reserve Board. The purpose of the visit was to notify them about the new law and to ask whether the Bureau could use their offices as sources of information about potential foreign bank applicants. Later, on December 7, 1984, Commissioner Kuthy and senior staff met with officials of the New York Banking Department and separately with representatives of the Institute of Foreign Bankers (IFB) in New York City. The purpose of the first meeting was to learn about New York's foreign bank regulatory program which is considered the most extensive program of its type in existence. In the second meeting, officials of the IFB stressed that one of the most important factors influencing where a foreign bank establishes a branch or agency is the tax treatment given the branch or agency. The IFB representatives agreed to inform their membership about the existence of the new Michigan law at their upcoming annual meeting and in their newsletter.

More recently, on January 24, 1985, Commissioner Kuthy and senior staff met with the California Superintendent of Banking in San Francisco to learn about its approach to the regulation of foreign banks. While in San Francisco, the same Bureau representatives met with officials of the International Bankers Association to discuss the tax treatment of agencies of foreign banks.

Proposed Intrastate Branching Liberalization, Interstate Banking and Market-Based Interest Ceilings

In recent years, there have been repeated attempts to enact legislation to liberalize the state's bank branching law. All of the attempts prior to the latest one were unsuccessful largely because the banking industry was sharply divided over the issue. Unlike all earlier efforts, in the latest attempt, large bank holding companies and independent community banks, after lengthy negotiations agreed to a compromise proposal. This paved the way for the introduction of legislation (House Bill No. 4013) which embodied provisions on branching and interstate banking. The bill passed the House by an overwhelming margin and, in the waning days of the session, passed the Senate by more than the two-thirds of the members needed. However, Governor Blanchard vetoed the bill, citing concerns over competition in intrastate branching and de novo chartering, the impact of the interstate banking provision on safety and soundness and that an interstate acquisition not be used to evade Michigan's usury ceilings. The Governor pledged that he would support branch banking legislation which addressed these concerns as part of a more comprehensive package of bills (like the one on which a consensus among various groups had been reached in the final days of the legislative session).

The legislation which the Governor vetoed would have permitted banks to consolidate, on a statewide basis, and operate offices of the merged banks as branches of the surviving bank. However, a bank holding company (BHC) could not have merged its subsidiary banks into more than six surviving banks using this procedure. Surviving banks would have continued to be subject to the current geographic restrictions on prospective branching, i.e., limited to the same county or, if not in the same county, anywhere within a 25-mile radius, subject to the home and branch office protection clause. All banks chartered on or before December 31, 1983 could have used the liberalized merger procedure. Any bank established after that date would have had to be in existence for at least five years in order to qualify to use the liberalized procedure.

House Bill 4013 also would have allowed a BHC located in Illinois, Indiana, Minnesota, Ohio, or Wisconsin, and two years after the effective date of the act, a BHC located in any state, with the approval of the Commissioner, to acquire any number of Michigan banks. Approval of such an acquisition would have been conditioned on two factors. One factor was that the state in which the BHC is located allows a BHC located in this state to acquire any number of banks located in that state, under conditions no more restrictive than the conditions imposed by this act. The second precondition was that the Commissioner determine that such an acquisition (by a Michigan BHC) would not restrict the powers or privileges of any bank acquired in that state.

The other legislation receiving much attention late in 1984 was the comprehensive reform package alluded to above. The package included intrastate branching and interstate banking provisions similar to provisions in House Bill 4013. The provisions in the package, however, included a more pro-competitive procedure for de novo chartering, more safety and soundness safeguards and a prohibition against importation of usury rates in connection with interstate banking.

The reform package also embodied market-based interest rate ceilings applicable to depository financial institutions and second mortgage lenders, community reinvestment provisions, credit life insurance provisions and other consumer protection provisions. The new system of interest rate ceilings would have replaced the existing rate ceilings. For closed-end consumer credit, the rate ceiling would have been adjusted quarterly and set, in the case of second mortgage loans, at 3 percentage points above the average gross yield under the Federal National Mortgage Association's second mortgage program and, in the case of new car loans and all other closed-end consumer credit, 2½ percentage points above the national average APR (for new car loans

or for unsecured personal loans, respectively) reported for commercial banks in the G-19 statistical series published by the Federal Reserve System, but in no case above the 25% criminal usury ceiling.

Open-end credit would have been subdivided into unsecured open-end credit and open-end credit secured by a second mortgage. For unsecured open-end credit, the market index would have been the same as that used for closed-end unsecured consumer loans, except that the ceiling would have been set three percentage points above the index but in no case above the 25% criminal usury ceiling or less than 17%. Because of the adjustable rate ceiling, the proposal permitted changes in the interest rate to be applied retroactively to balances incurred prior to the increase. However, the rate of interest could not have been increased on obligations incurred before October 1, 1985. Increases in the rate would have required an 80-day notice. The interest rate ceiling on open-end second mortgage credit would have been set two percentage points above the FNMA gross yield market index.

The package would have called for additional consumer protections. For example, interest would have been computed on a simple interest basis. Also, on open-end second mortgage loans, advertisements, brochures, and periodic statements would have had to contain a statement that the home was serving as security for the loan. Under the proposal, to encourage consumer shopping, the Financial Institutions Bureau would have made available to newspapers information drawn from reports filed monthly by lenders on their current APRs and fees charged for various types of consumer credit. The proposal contained some consumer protection provisions which would have applied if a lender were reimbursed for selling insurance under a credit life insurance plan. One provision would have required that the premium rate be based on a reasonable expectation of at least a 60% loss ratio and that certain disclosures be made to consumers prior to the sale of credit life.

Under the proposed package, variable rate consumer loans would have been tied to the rate on 26-week U. S. Treasury bills, would have been subject to rate increases not to exceed 3/8 of one percentage point every three months (and the maximum amount of any downward adjustment need not be more than 3/8 of one percentage point), and would have had no cap on rate changes over the life of the loan (other than the product of the total number of three-month periods over the life of the loan and 3/8 of one percentage point), but subject to the applicable interest ceiling currently in effect.

An extension of credit to a business entity in excess of $50,000 could have provided for a rate of interest in excess of the 25% criminal usury rate ceiling. The above dollar amount annually would have been adjusted and certified by the Commissioner in response to changes in the consumer price index.

The reform package also would have required a periodic assessment by the Commissioner of the record of each bank and savings and loan association in meeting the credit needs of its community based on factors substantially similar to those in the Federal Community Reinvestment Act and regulations thereunder. If the Commissioner had found the community reinvestment record of an institution unsatisfactory, he/she would have had to declare the institution ineligible for additional state surplus funds after opportunity for a hearing. The restriction would have remained in effect until the institution's record improved. Federal savings and loan associations could have chosen not to comply with the reporting requirements of the community reinvestment provisions but they would not have been eligible to receive additional state surplus funds.

The legislation would have included a number of provisions designed to give to state banks powers which national banks acquired with the passage of the Garn-St. Germain Depository Institutions Act of 1982, as well as other powers. The new powers would have included the authority to form bankers' banks; removed the limit on the amount of loans that could have been

made to an executive officer of a bank for a home loan or a loan to finance the education of his/her family or himself/herself; and removed the $10,000 limit on other loans to an executive officer (the Commissioner could have established an appropriate limit). Under the legislation, the percentage of a bank's capital and surplus that could have been lent to any one person without two-thirds approval of the Board of Directors would have been increased from 10% to 15%, and the percentage that could have been lent with two-thirds approval would have been increased from 10% to 25%, and bank borrowing limits would have been removed. The legislation would have reduced from two-thirds to a majority the proportion of the voting shares of a bank needed to approve an amendment of a bank's articles of incorporation. Also, provisions of current law setting various limitations on real estate loans made by banks would have been removed. Additionally, state-chartered banks would have been given authority to make venture capital investments.

The legislation would have included the following provisions for savings and loan associations: given a state savings and loan the right to use the words "savings bank" in its name; simplified certain reporting and managerial procedures; authorized state savings and loans to make investments currently legal for federal savings and loans, and given the Commissioner the authority to promulgate rules to authorize additional investments approved in the future for federal savings and loans; authorized state savings and loans to make venture capital investments; provided leasing authority for state savings and loans comparable to authority banks currently have; authorized loan processing fees for all non-real estate loans; clarified the merger provisions of the Savings and Loan Act; and provided state savings and loans a procedure now available to banks for acquisitions by holding companies.

The legislation would have authorized a licensee under the Secondary Mortgage Act to make open-end second mortgage loans. In addition, the legislation would have overridden the Garn-St. Germain preemption but would have authorized licensees to make variable rate second mortgage loans subject to requirements applicable to variable rate consumer loans described above.

Major Legislative Changes

The Bureau is very active in the legislative process and was instrumental in the passage of several significant bills affecting financial institutions or the users of financial services during 1984. Highlights of these bills are stated below:

Senate Bill 187 (P.A. 250)

This act amends the Banking Code of 1969 by permitting banks chartered in foreign countries to open agency offices in Michigan and by placing limitations on their operations. Under the new provision, foreign bank agencies would not be permitted to accept deposits or offer trust services. Regulators in states which have permitted foreign banks to establish offices report that foreign banks have invested in their states and that the presence of foreign banks in a state can be attractive to foreign firms considering the establishment of U. S. offices.

Senate Bill 809 (P.A. 271)

This act amends the Credit Union Act to permit the chartering and regulation of central credit unions. A central credit union is a credit union whose members consist primarily of other credit unions. Although Michigan has had a central credit union in operation since 1937, there were no specific provisions in the Credit Union Act which dealt exclusively with the regulation of a central credit union. Even though Michigan Central Credit Union served other credit unions exclusively, it was not bound by the the same requirements and subject to the same regulatory framework as any other state-chartered credit union.

P. A. 271 contains several statutory provisions which govern the powers of a central credit union and provide a regulatory framework suitable for a central credit union. For example, a central credit union

has all of the powers of a state-chartered credit union as well as additional investment powers which reflect the special role of a central credit union. The new investment powers include the authority to make loans to, or place deposits in, a bank, savings and loan association, or credit union located anywhere in the United States; to make Eurodollar investments; to purchase investment securities that are readily marketable at a fair value; and to make loans in participation with other credit unions.

Senate Bill 553 (P.A. 379)

The act authorizes a licensed person to issue credit cards under a credit card arrangement. Licensed issuers of credit cards could collect interest and charges in a combined amount not to exceed 18% per annum of the unpaid balance. A licensed issuer of credit cards would be regulated by the Financial Institutions Bureau. The act would not impair the existing powers of banks, savings and loans, credit unions and retail sellers under the Retail Installment Sales Act to engage in credit card plans.

House Bill 4567 (P.A. 124)

This act amends the Secondary Mortgage Act by permitting an employer to make a secondary mortgage loan to one of its employees provided that the proceeds of the loan are used to assist the employee in meeting his/her housing needs. Under the provision, an employer making such a loan would be required to comply with all of the provisions of the Secondary Mortgage Act except that it would not be required to obtain a license.

House Bill 4105 (P.A. 147)

This act repeals sections 207 and 209 of the Banking Code and thereby eliminates the reserve requirements which were applicable to demand, time and savings deposits. The reserve requirements formerly applied only to state non-member banks and became duplicative following passage of the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA). State non-member banks no longer need to file bi-weekly reports on their required and actual reserves with the Bureau.

House Bill 4677 (P.A. 275)

The act requires a company that is requested by a financial institution to print checks for an account maintained at the financial institution to obtain from the financial institution the month and year in which the account was opened. The company shall print on the checks for that account the month and year furnished by the financial institution. This requirement would not apply to checks printed for an account if the company printing the checks is informed by the financial institution that the checks are to be used for any of the following: an account which was opened before July 1, 1985, a business checking account, an account maintained by an individual who, at the time the account was opened, had maintained another deposit with the same financial institution for a period of one year or longer, and temporary checks furnished by the financial institution to a customer at the time an account is opened. A person that knowingly or willfully violates this provision would be guilty of a misdemeanor punishable by a fine of not more than $100.00.

House Bill 5368 (P.A. 351)

The act regulates the enforcement of due-on-sale clauses contained in real property loans made or assumed during the period beginning on January 5, 1977 and ending on October 15, 1982 (so-called window period loans) other than any real property loan made by a federal savings and loan association, a federal credit union, or a national bank. Until October 15, 1985, the effective date of the act, state law which prohibits the enforcement of the due-on-sale clause except where there is a threat to the lender's security interest, will continue to apply to window period loans made by lenders other than a national bank or a federal savings and loan association or credit union. P. A. 351 provides that beginning on October 15, 1985, the holder of a window period real property loan originated by a lender other than a federal

savings and loan, a federal credit union, or a national bank will be able to enter into an agreement with the borrower whereby, in exchange for the lender's written offer to consent to a proposed sale or transfer, the borrower may be required to agree to a higher rate on the mortgage. In no case would the rate be increased above the mid-point of the contract rate and the Federal Home Loan Bank Board national average contract rate prevailing on the date of the offer.

Senate Bill 812 (P.A. 276)

The act amends the Revised Judicature Act of 1961 by providing that a maker of a check or draft drawn on insufficient funds shall be liable to the payee for the amount of the item and for damages of treble the amount of the check or draft, but in no case less than $100 nor more than $500. A maker of such a check or draft would be liable for damages if he or she fails to pay the amount of the check or draft in cash to the payee within 30 days of receipt of a written demand from the payee. An action could be brought to small claims court if the amount to be recovered does not exceed the jurisdiction of small claims court.

Senate Bill 18 (P.A. 335)

The act requires that the official state personal identification (ID) card contain a permanently assigned identification number, the individual's name, date of birth, sex, residential address, height, weight, eye color, an imprinted photograph, and the person's signature imprinted on the card. The bill was enacted in response to the problems experienced by some persons who do not own a chauffeur's or operator's license in cashing checks or transacting other business. The state personal ID card did not constitute credible identification to financial institutions, retailers, and others which use the cards for purposes of identification. The Secretary of State is required to establish and maintain a computerized central file of the information contained on application forms issued under the act. The act also requires that the centralized computer file be interfaced with the law enforcement information network.

House Bill 4450 (P.A. 359)

The act amends the Savings and Loan Act of 1980 to allow an association to charge a rate of interest of up to 16.5% per year on the unpaid balance of an installment loan for the purchase of a motor vehicle. Simultaneous with the signing of Enrolled House Bill 4450, the authority in the Credit Union Act to charge a rate of interest on the unpaid balance of up to 16.5% a year expired. P.A. 359 provides for a sunset date of December 31, 1985.

Senate Bill 749 (P.A. 416)

The act amends the Secondary Mortgage Act by extending the December 31, 1984 sunset date for the 18% per annum maximum interest rate to December 31, 1985. If this action had not been taken, licensees under the Secondary Mortgage Act on secondary mortgage loans executed after December 31, 1984, could not charge a rate in excess of 15% per year.

House Bill 4453 (P.A. 93)

The act amends the Credit Union Act by permitting credit unions to enter into written contracts to perform services for each other's members. A state credit union will be able to continue to serve members who reside far from the institution's office at a lower cost than would be incurred to establish a separate branch. This will enable retirees, for example, who winter in sunny climates, to retain their financial relationships with Michigan credit unions year-round.

Senate Bill 854 (P.A. 397)

The act authorizes trust funds operated by banks and savings and loan associations to invest in obligations, mortgages, or participation interests in mortgages issued by or guaranteed by the Federal Home Loan Mortgage Corporation (FHLMC) pursuant to the FHLMC Act. The act will enable trust departments of banks and savings and loan associations to purchase mortgage backed securities and thereby supply more funds to the FHLMC to purchase mortgages in various states.

House Bill 4011 (P.A. 101)

The act amends the Common Trust Fund Act by permitting a state or federal savings and loan association to establish and maintain common trust funds. Prior to the enactment of House Bill 4011, only state and national banks and trust companies were permitted to establish and maintain common trust funds. Though Michigan savings and loan associations gained the authority to offer trust services in 1981, they could not establish and maintain common trust funds without first obtaining the authority to do so under the Common Trust Fund Act.

Electronic Fund Transfer (EFT) Activities in Michigan

The Bureau obtained information on EFT systems through questionnaires mailed to all state-chartered depository institutions and multibank holding companies. To avoid a double count, no questionnaires were sent to banks which were subsidiaries of multibank holding companies. Of the 128 independent state-chartered banks, 116, or 90.6% of the total responded to the survey. Subsidiary banks of one-bank holding companies were treated as unaffiliated banks in completing the survey. Twenty-three of the 25 multibank holding companies, accounting for 194 banks, responded to the questionnaire. All of the 20 state-chartered savings and loan associations responded to the survey. All 33 of the federal savings and loans associations were surveyed by telephone. Of the 500 state-chartered credit unions, 448 or 89.6%, filed responses to the questionnaire. Both of the major non-financial institution providers, MAGIC LINE and QUANTUM Network supplied information on their shared networks.

Table 1 shows that at year-end 1984, responding financial institutions owned or leased 2,132 automated teller machines (ATMs) as compared to 1,829 owned or leased as of December 31, 1983. Of this total, 1,723 ATMs, or 80.8% were on the premises of a financial institution and 1,886 ATMs, or 88.5%, were shared.

Multibank holding companies (MBHCs) reported that their subsidiary banks owned or leased 1,511 ATMs of which 1,308 were on-premise and 203 were off-premise. Table 2 shows that 94.8% of the ATMs owned or leased by subsidiary banks of MBHCs were shared. Of the shared ATMs, 4.5% were shared only by subsidiary banks of the same holding company while 95.5% were shared by non-subsidiary banks as well as subsidiary banks. MBHCs deployed 1,144 ATMs (966 on-premise and 178 off-premise) which were part of MAGIC LINE. MBHCs also reported that they owned or leased 795 staffed terminals (terminals at which a teller routinely assists the customer complete a transaction) at year-end 1984, as compared with 706 one year earlier. Finally, MBHCs reported that 298 of their ATMs were linked with an interstate network.

Table 1 - Automated Teller Machines (ATMs)
Owned or Leased By Responding Depository Financial Institutions

	12/31/83	12/31/84
Number of ATMs	1,829	2,132
On-premise	1,659	1,723
Off-premise	170	409
Shared	1,570	1,886
Unshared	259	246
Staffed Terminals	706	795
Total Terminals (ATMs + staffed)	2,535	2,927

Table 2 - Automated Teller Machines (ATMs)
Owned or Leased by Responding Multibank Holding Companies
as of December 31, 1984

	On-Premise	Off-Premise
Total ATMs	1,308	203
Shared (subsidiaries only)	62	2
Shared (any institution)	1,177	192
Unshared	69	9
Staffed Terminals	795	0

Two of the major shared networks, MAGIC LINE and QUANTUM expanded in 1984. As shown in Tables 3 and 4, membership at MAGIC LINE increased to 221 financial institutions (132 banks, 12 savings and loans, and 77 credit unions) from 202 one year earlier. QUANTUM's membership rose by 12 institutions to 65 (50 credit unions, 12 banks, and 3 savings and loans). As of December 31, 1984, there were 1,548 ATMs in the MAGIC LINE network of which 1,185 were on-premise and 363 were off-premise. These figures compare with 1,450 ATMs (it is estimated that 1,305 were on-premise and 145 off-premise) which were part of MAGIC LINE at year-end 1983. MBHCs indicated that at year end, 794 of their staffed terminals were in the MAGIC LINE system, as compared with 530 reported one year earlier. QUANTUM Network had 147 ATMs (111 on-premise and 36 off-premise) as compared with 75 (60 on-premise and 15 off-premise) at year-end 1983.

Table 3 - Automated Teller Machines (ATMs) and
Financial Institutions Which Were Part of MAGIC LINE

	12/31/83	12/31/84*
No. of ATMs	1,450	1,548
On-premise	1,305	1,185
Off-premise	145	363
No. of Staffed Terminals	530	634#
No. of Financial Institutions	202	221
Banks	123	132
Savings and Loans	10	12
Credit Unions	69	77

*Information furnished by MAGIC LINE
#Figure differs from the one reported by multibank holding companies indicating that they owned or leased staffed terminals as of December 31, 1984

Table 4 - Automated Teller Machines (ATMs) and
Financial Institutions Which Were Part of QUANTUM

	12/31/83	12/31/84
No. of ATMs	75	147
On-premise	60	111
Off-premise	15	36
No. of Financial Institutions	53	65
Banks	5	12
Savings and Loans	2	3
Credit Unions	46	50

Unaffiliated state-chartered banks at year end, reported that they owned or leased 149 ATMs (125 on-premise and 24 off-premise; 58 shared and 91 unshared), as compared with 107 one year earlier. Savings and loan associations (state and federal) reported that they owned or leased 114 ATMs (106 on-premise and 8 off-premise; 40 shared and 74 unshared), as compared with 80 reported for one year earlier. State-chartered credit unions owned or leased 64 ATMs (43 on-premise and 21 off-premise; 61 shared and 3 unshared).

Summaries of Significant Orders Issued by Bureau *

Three Rivers Savings and Loan Association

Three Rivers Savings and Loan Association, Three Rivers, Michigan applied on October 17, 1983 for the Commissioner's approval of its investment in a service corporation subsidiary which in turn would acquire an insurance agency located in Three Rivers. The insurance agency, Hackenberg - Schrieber Agency would engage in the sale of fire, casualty, life, workman's compensation and other lines of personal and business insurance.

The issue was whether the proposed activities were among those permitted to state-chartered savings and loan association service corporations. A service corporation is defined in the Michigan Savings and Loan Act as a corporation which engages in activities determined by the Commissioner by rule or order to:

1. be incidental to the conduct of a savings and loan business, or
2. further or facilitate the corporate purposes of an association, or
3. furnish services to an association.

After reviewing the statutory provisions relating to service corporations, the policy underlying the statute, opinions of the Michigan Attorney General, the consumer issues involved in a financial institution owing an insurance agency subsidiary and the ability and willingness of Three Rivers Savings and Loan Association to comply with all applicable requirements, the Commissioner found the proposed service corporation to be an activity which would further or facilitate the corporate purposes of the association. The application was approved subject to certain conditions.

NOTE:

Upon approval of the application, action was brought by the Independent Insurance Agents of Michigan against the Commissioner of the Financial Institutions Bureau and Three Rivers Savings and Loan Association in Ingham County Circuit Court. The Circuit Court held that the Commissioner's decision was improper and reversed the Commissioner's decision. That decision has been appealed to the Court of Appeals. Oral argument has been held and the Court of Appeals' decision is pending as of the publication of this annual report.

Bloomfield Savings and Loan Association

Bloomfield Savings and Loan Association, which was granted authority to commence business as a Michigan stock savings and loan association in December, 1982 applied to the Federal Home Loan Bank Board to convert to a Federal stock association in October, 1983. The Michigan Savings and Loan Act of 1980 provides that the Commissioner must approve such conversion.

The Commissioner's Order discusses the rapid growth of Bloomfield Savings and Loan Association by acquisition of branches from other savings and loan associations. These acquisitions involved the assumption of deposit liabilities by Bloomfield in exchange for certain assets and cash. By December 31, 1983, Bloomfield had grown to nearly $375 million in assets with nearly $263 million of deposits. In December of 1983, the Commissioner learned that Bloomfield intended to acquire several additional branches from another savings and loan association.

During 1983, the Commissioner had been concerned that Bloomfield had adequate short and long term plans for utilizing the large amount of dollars it received in the branch acquisitions. These concerns

involved the adequacy of Bloomfield's capital or net worth, the way in which the cash received in exchange for the assumption of deposit liabilities was to be utilized, its ability to generate income from operations and, ultimately, its intention to generate mortgage loans in its community. As a consequence, the Commissioner had requested certain commitments from the association in regard to these concerns.

When the Application to Convert to a Federal Charter was received, the Commissioner was thus primarily concerned that Bloomfield was seeking to avoid its commitments by converting to a Federal Charter and that the Federal Home Loan Bank Board would not be sensitive to those issues relating to the service to the community and safety and soundness. Nevertheless, because the Federal Savings and Loan Insurance Corporation, as insurer of deposits up to $100,000, agreed to require Bloomfield to fulfill its obligation to make mortgage loans in Michigan, the Commissioner approved the application to convert to a Federal Charter.

* Full text reprinted in Appendix.

Plans and Objectives for the Future

A consolidation is planned of the corporate activities (applications for new branches, new charters, mergers, etc.) of the Bank and Trust, Savings and Loan, and Credit Union Divisions. It is expected that this more centralized approach will improve efficiency, reduce processing time, and promote more consistent treatment of applications.

The Conference of State Bank Supervisors (CSBS) has developed an accreditation program for state bank supervisors. The program dates back to 1970, when the Conference began considering self-examination programs. In 1980, the Performance Standards Committee was established to develop a formal accreditation process. The goal of the program is to promote and recognize excellence in state regulation and lead to a reduction in federal regulatory and supervisory activity in well-managed state-chartered banks. Thus far, the Bureau has completed the self-examination step of the process consisting of an appraisal of the Bureau's finances, personnel, training, examinations, supervision, administration, and legislative program. The Bureau hopes in the near future to make a formal request to CSBS to commence their evaluation of the Bureau in preparation for accreditation. Only one state (Illinois) has completed the formal accreditation process to date.

Because the deregulated environment for financial institutions continues to evolve, it is important that all institutions assume more responsibility for their own regulation. Accordingly, the Bureau is in the process of developing and implementing an informational program for depository financial institution directors. This program should help directors by making directors more aware of the types of information and tools available to assist them in meeting their responsibilities.

During 1984, the Bureau initiated two efforts to communicate directly with executives of the financial institutions it supervises. One of these efforts was a one-day session with executives of state-chartered savings and loans. Current programs, legislative activities and funding of Bureau programs were the major issues discussed during this session. The other effort, also a one-day session, was with CSBS associate member banks. This session was primarily dedicated to a discussion of CSBS programs with special emphasis on legislative and training activities of the Conference. The Bureau intends to initiate additional programs that will provide direct dialog between the Bureau and the institutions the Bureau supervises.

Despite the failure to pass legislation to implement self-funding of the Bureau's programs to supervise and regulate savings and loan associations and auto dealers and finance companies licensed under the Motor Vehicle Sales Finance Act, the Bureau remains committed to a self-funding approach to fund most of its programs, with the exception of the mortgage anti-redlining program. In general, the approach provides that financial institutions be assessed fees

which are sufficient to fully cover the total cost of their regulation and supervision. As noted in the 1983 annual report, self-funding legislation for banks and credit unions was enacted in December 1982. In addition, the recently enacted Credit Card Licensing Act provides for the self-funding approach. Legislation to implement self-funding of its regulatory programs for savings and loan associations and for the various types of licensed providers of financial services (i.e. secondary mortgage and small loan lenders, sellers of money orders, and motor vehicle dealers and finance companies) remains a priority of the Bureau.

Activities at the Federal Level

Nonbank Bank -- Comptroller of the Currency

In May 1984, the "nonbank" bank issue was again placed on hold when Comptroller of the Currency, C. Todd Conover, announced a halt to processing of applications for the chartering of nonbank banks.

As followers of this issue by now must know, the nonbank bank was born out of a loophole in the Bank Holding Company Act (BHC Act) which defines a bank as an organization which accepts demand deposits and makes commercial loans. An entity acquiring or establishing a bank that does not perform one of these functions (typically commercial lending) can attempt to avoid regulation as a bank holding company and thereby avoid the restrictions on interstate banking contained in the BHC Act.

Mr. Conover imposed the temporary moratorium in order to give Congress time to enact legislation to either close the loophole or to otherwise deal with the issue. When Congress failed to resolve the issue, the Comptroller, on October 15, 1984, ended his moratorium on processing of nonbank bank applications. During the remainder of the year, the Comptroller approved over 100 nonbank bank applications and was reviewing nearly 250 more nonbank bank applications. Most of the approvals were for applications filed by bank holding companies. This meant that the nonbank banks could not be established without the approval of the Federal Reserve Board.

The nonbank bank developments are especially significant given that many states have enacted or are considering legislation to permit interstate banking. Were nothing done to address the nonbank bank issue, it is conceivable that the loophole would lead to nationwide networks of consumer banks (nonbank banks which offer all banking services except commercial loans). This prospect has evoked concerns that, if left unchecked, the proliferation of nonbank banks may make the debate over the desirable approach to interstate banking, e.g., regional vs. nationwide and reciprocal vs. nonreciprocal, academic.

Proposals for Moratorium as Well as New Powers Legislation

In 1984, Congress considered financial reform legislation to deal with several controversial issues: whether banks should be allowed to underwrite securities or be allowed to enter the insurance business, and how to deal with the loophole in the Bank Holding Company Act which has led to the spread of nonbank banks. As mentioned earlier, amid the Congressional debates over the nonbank bank issue, Comptroller of the Currency, C. Todd Conover, lifted his nearly seven-month long self-imposed moratorium on processing of nonbank bank applications. The Comptroller's previous moratorium had expired on March 31, 1984.

Certain members of Congress reacted swiftly to the Comptroller's action, threatening to pass legislation to force corporations to divest their nonbank bank subsidiaries "regardless of cost." (Early in 1985, Congressman Fernand St. Germain introduced a bill to close the nonbank bank loophole, retroactive to July 1, 1983.)

In a separate action, on November 19, 1984, the FDIC issued a regulation to allow state-chartered non-member insured banks to engage in securities underwriting activities through a bona fide subsidiary or affiliate (an affiliate may own the bank or be owned by an organization which itself owns the bank) in states where such activities are

permitted. The regulation provided that a securities subsidiary which was a qualified underwriter (an entity that, among other things, has been in continuous operation for a five-year period) would not be restricted in its underwriting activities. A securities subsidiary which was not a qualified underwriter would be restricted to underwriting investment-quality debt and equity instruments, certain mutual funds, and money market mutual funds.

Congress continued to wrestle with these controversial financial issues, and the Senate approved a measure that would have done the following: closed the nonbank bank loophole by redefining "bank"; permitted a depository financial institution through a separate subsidiary of a holding company to underwrite and deal in revenue bonds, mortgage-backed securities, and commercial paper; required any company which acquired a nonbank bank between July 1, 1983 and the date of enactment to divest the bank; limited the amount of short-term brokered deposits that a federally insured depository institution could receive to the lesser of 200% of its capital or 15% of its total deposits (an institution with less than 3% net worth could not accept any brokered deposits); and expressly allowed regional interstate banking agreements for a five-year period.

The House Banking Committee meanwhile voted out a less far-reaching proposal that would have closed the nonbank bank loophole by redefining bank and extended the coverage of the Glass-Steagall Act prohibition on engaging in certain securities activities to nonmember banks and thrift institutions.

OFFICE OF REGULATION

GARY K. MIELOCK
Deputy Commissioner

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Examiners:

Region I Detroit	John Schumacher *(Regional Supervisor),* Walter Baier, James Brown II, Joanne Brown, Duane Gaunt, Donald Hermann, Michael Lesiak, William Pilkington, Larry Snively, Marianne Spaulding, Chris Werwega
Region II Lansing	Ralph Morr *(Regional Supervisor),* Karen Ammarman, Michael Anderson, Dawn Baetsen, Robert Caruso, LeRoy DeFors, Patrick Holleran, Suzanne Horn, Charles Lentz, Curtis McMillin, Donald Priestley, Sandra Slee, Gary Thielsen
Region III Grand Rapids	Irwin Van Noord *(Regional Supervisor),* Robert Alexander, Roger Barry, Thomas Curtiss, Gordon Freeman, Karl Johnson, Charlie Kohler, Donald Pickel
Region IV Northern	Dale Fockler *(Regional Supervisor),* Tina Ballard, Thomas Fillman, Michael Friedrich, James Frost, Kathleen LaChapelle, Lonnie Lint, James McMullen
Region V Upper Peninsula	Gary Groves *(Regional Supervisor),* John Lyle, David Theoret, Larry Wuokko

CREDIT UNION DIVISION

MICHAEL FITZGERALD, *Director;* Tim Standfest, *Assistant Director;* Nada Van De Moortel, *Review Examiner*

Examiners:

Region 1 Out-State	A. Ann Gaultney *(Regional Supervisor),* Jerry Armstrong, Penelope Deshaw, Robert Ehrensperger, William King, Roger Little, Teresa Macioszek, Gerard Marsh, Freya McGinty, Leanne Thelen
Region 2 Detroit	Robert Andrews *(Regional Supervisor),* Delores Thomas Bledsoe, Alice Censier, Richard Lowe, Wanda Marshall, Ronald Miller, Kathleen Sullivan
Region 3 Detroit	Alan Peterson *(Regional Supervisor),* Suzanne Koch, Stanley Kossakowski, Anna Narsisian Lowe, David Rogers, Michele Schweitzer, Donald Walters

SAVINGS AND LOAN DIVISION

DARWYN SANBORN, *Director*

Examiners: Allan Huber, Leigh Scherzer

Listing as of 5/31/85

BANK AND TRUST DIVISION

Michigan's state-chartered banks are regulated and supervised under the authority of Act No. 319 of the Public Acts of 1969 (the Michigan Banking Code of 1969, as amended) by the Bank and Trust Division. The major responsibility of the division is to ensure that each state-chartered bank is financially safe and sound. This is accomplished through the examination and supervision process and the regulation of such corporate activities as new bank charters, consolidations, conversions, branch applications and capital and trust programs. Another responsibility of the division is to ensure that banks are serving the need of communities in which they operate. The division accomplishes this objective by responding to consumer complaints and by ruling on applications for new charters and branches.

Examinations

As of December 31, 1984, the Bank and Trust Division regulated 248 state-chartered banks with assets of $32.7 billion. The examination of state-chartered banks is the primary means by which the division monitors the operations and financial condition of these institutions.

During an examination, examiners gather data and analyze certain key factors. These factors include the quality of assets, capital adequacy, earnings, liquidity, management capabilities and compliance with banking laws and regulations. Examiners also review formal written policies established by a bank's Board of Directors and management's adherence to these policies. The division examines banks independently of or concurrently with examiners of the Federal Reserve System (FRS) or the Federal Deposit Insurance Corporation (FDIC).

In 1984, all but 14 state-chartered banks were examined either by the Bureau, FRS or the FDIC. This is the first time in many years that all banks were not examined by one agency or another. The principal reason for the failure to examine all banks was the FDIC's new policy of examining well-run banks on a three-year cycle and their extensive liquidation efforts in 1984. The Bank and Trust Division examined 179 or 72.2% of all state-chartered banks in 1984, 28 more than were examined in 1983. Assets of banks examined by the division during 1984 amounted to $25.6 billion or 78.3% of the total assets for state-chartered banks.

New Programs

During 1984, the division began a process whereby they participated with examiners from the Federal Deposit Insurance Corporation, Federal Reserve System and the Office of the Comptroller of the Currency to conduct joint, simultaneous examinations of bank holding companies and their affiliates. Since bank holding companies control 86.4% of all bank deposits in Michigan, it became clear that all bank regulatory agencies needed to pool their resources to determine the overall financial condition of a multi-bank holding company. The joint examinations not only enable the division to use its examiners and administrative resources efficiently, but minimize duplication for the bank holding company and its affiliates. Initially the program covered the ten largest bank holding companies in Michigan, but will be expanded to include all multi-bank holding companies in 1985.

A new, revised program of examination for well-managed banks was also implemented in 1984. The examination, in effect, utilizes available resources outside the bank to perform off-site analysis on the financial condition of an individual bank. Previous reports of examination, management information systems, reports of condition and income and external/internal audits, etc., are all integral resources utilized in the off-site evaluation. In addition, support information may be requested from bank management before the examination is completed. A brief visitation is conducted in order to perform further investigative tests or procedures and to discuss the general scope of the examination as well as

the examiner's conclusions. At completion of the examination, the directorate continues to receive formal notice of the results. The examination is very flexible and the scope is adjusted according to management strength and organization, known areas of weakness, and adverse trends unveiled during the off-site analysis. This type of examination, limited to historically sound institutions, allows for more efficient use of resources in order that they may be reallocated to problem and potential problem banks.

Bank Supervision

The Bureau had 33 banks on its problem list as of December 31, 1984. This list is not static and most banks do not remain on the list for extended periods. During 1984, 11 banks were added to the list and four were deleted. Problems in the newly-designated problem banks included asset quality deficiencies, poor earnings, inadequate capital, and management unable to cope with changing market conditions. The Bank and Trust Division, in its efforts to alleviate weaknesses found in problem banks, conducted numerous board meetings and follow-up visitations, and issued seven memoranda of understanding in 1984. The table below provides information pertaining to problem banks over the last five years.

Structural Changes

In 1984, two new banks were established and one bank converted from a national association to a state charter, but two banks consolidated with another bank and one bank was voluntarily liquidated. Therefore, at both year-end 1983 and 1984, the total number of state-chartered banks remained at 248.

The number of state bank branch offices increased from 1,140 on December 31, 1983, to 1,142 as of year-end 1984. This increase was the net result of 14 branch closings and 16 new branch openings.

Legislation and Bank Bulletins

On June 21, 1984, House Bill No. 4105 (P.A. No. 147) was signed into law repealing Sections 207 and 209 of the Michigan Banking Code of 1969, as amended, to eliminate reserve requirements for non-member banks and the reporting of those reserves to the Commissioner.

Senate Bill No. 187 (P.A. No. 250) was signed into law on October 15, 1984 to permit foreign banks to establish agencies in Michigan. It allows the agencies to operate with the same rights, privileges and responsibilities as state banks, except the agencies can neither accept nor solicit deposits or exercise trust powers. As a result of this legislation, a new chapter was added to the banking code and several sections were amended.

An addendum to Bank Bulletin No. 9 was issued by the division in June 1984 to allow state-chartered banks which have not been granted trust powers to offer self-directed individual retirement accounts. Bank Bulletin No. 30 was also issued by the division in June 1984 to the Board of Directors of state-chartered banks to clarify the Bureau's position on combining related credits pursuant to Section 196(1) of the banking code.

	Total Banks Supervised	Problems Removed	Problems Identified	Current Problems
1980	250	6	7	23
1981	250	6	10	27
1982	251	7	9	29
1983	248	8	5	26
1984	248	4	11	33

Bank Holding Companies

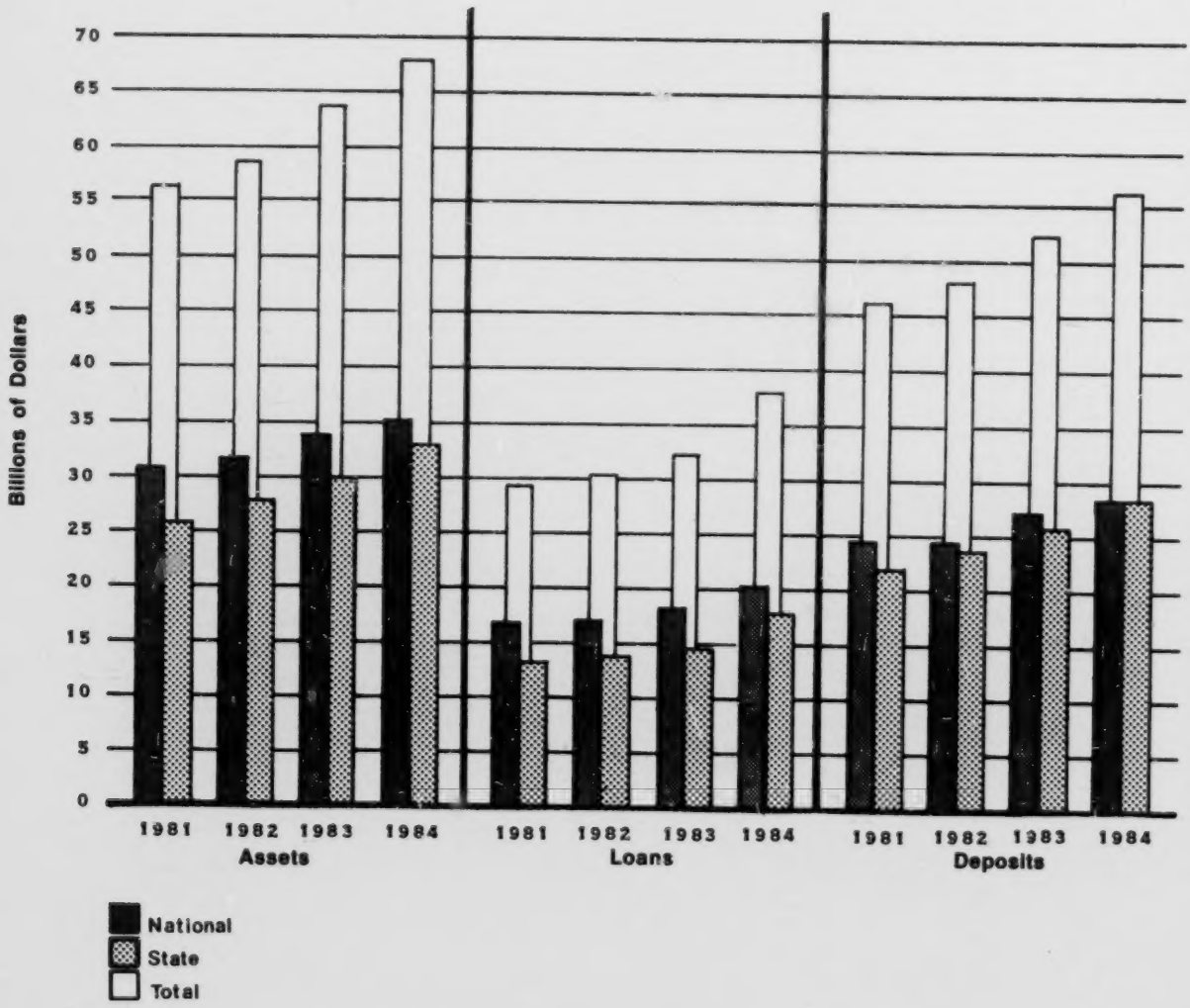
As of December 31, 1984, 55 bank holding companies controlled 143 state-chartered banks and 85 national banks. Single-bank holding companies controlled 20 state-chartered banks and 10 national banks, while multi-bank holding companies controlled 123 state-chartered banks and 75 national banks.

Total deposits of banks controlled by bank holding companies, as of December 31, 1984, were $48.4 billion (or 86.4%) of the $56.0 billion total deposits held by all banks (state and national) in Michigan. The following table provides comparative data for Michigan's bank holding companies:

	1979	1980	1981	1982	1983	1984
Bank Holding Companies (BHCs)	41	38	38	40	49	55
BHC Banks	168	182	199	208	219	228
BHC State Banks	98	106	118	124	134	143
BHC National Banks	70	76	81	84	85	85
Single BHCs	17	14	18	19	26	30
Single BHC State Banks	13	10	13	12	18	20
Single BHC National Banks	4	4	5	7	8	10
Multi-BHC	24	24	20	21	23	25
Multi-BHC State Banks	85	96	105	112	116	123
Multi-BHC National Banks	6.6	72	76	77	77	75
BHC Deposits*	$31.1	$33.2	$27.5	$39.7	$44.3	$48.4
Total Bank Deposits*	$41.2	$43.4	$46.1	$48.2	$52.5	$56.0
BHC Deposits - % of Total Bank Deposits	75.5%	76.5%	81.3%	82.4%	84.4%	86.4%

*Billions of Dollars

COMPARATIVE CHART OF ASSETS, LOANS AND DEPOSITS OF STATE AND NATIONAL BANKS IN MICHIGAN



CONSOLIDATED BALANCE SHEET OF STATE BANKS

(000's Omitted)

		248 Banks 1,142 Branches December 31, 1984
ASSETS		
Cash and balances due from depository institutions		$ 5,485,129
Noninterest-bearing balances and currency and coin	$ 1,688,659	
Interest-bearing balances	3,796,470	
Securities		7,294,628
Federal funds sold and securities purchased under agreements to resell		980,042
Total loans and leases (excluding unearned income)	$17,681,323	
Less: Allowance for loan and lease losses	189,783	
Net loans and leases		17,491,540
Assets held in trading accounts		38,619
Premises and fixed assets (including capitalized leases)		486,475
Other real estate owned		86,337
Investments in unconsolidated subsidiaries and associated companies		212
Customers' liability to banks on acceptances outstanding		208,995
Intangible assets		4,725
Other assets		600,867
TOTAL ASSETS		$32,677,569
LIABILITIES		
Total deposits		* $27,999,825
Noninterest-bearing	$ 4,308,228	
Interest-bearing	23,691,597	
Federal funds purchased and securities sold under agreements to repurchase		1,455,516
Demand notes issued to the U. S. Treasury		214,689
Other borrowed money		61,978
Mortgage indebtedness and obligations under capitalized leases		19,721
Banks' liability on acceptances executed and outstanding		209,022
Notes and debentures subordinated to deposits		70,899
Other liabilities		527,785
TOTAL LIABILITIES		$30,559,435
EQUITY CAPITAL		
Perpetual preferred stock		$ 1,790
Common stock		366,139
Surplus		867,916
Undivided profits and capital reserves		882,289
TOTAL EQUITY CAPITAL		$ 2,118,134
TOTAL LIABILITIES AND EQUITY CAPITAL		$32,677,569
*Includes deposits of State money - Michigan		$ 68,883

LOANS HELD BY STATE BANKS

(000's Omitted)

	December 31, 1984
Real estate loans:	
Construction and land development	$ 229,290
Secured by farmland (including farm residential and other improvements)	166,268
Secured by 1-4 family residential properties	4,576,319
Secured by multifamily (5 or more) residential properties	120,217
Secured by nonfarm nonresidential properties	1,527,805
Loans to depository institutions	336,544
Loans to finance agricultural production and other loans to farmers	411,463
Commercial and industrial loans	4,972,419
Acceptances of other banks	251,574
Loans to individuals for household, family, and other personal expenditures (includes purchased paper):	
Credit cards and related plans (includes check credit and other revolving credit plans)	864,674
Other (includes single payment and installment)	3,490,755
Obligations (other than securities) of states and political subdivisions in the U.S.	352,142
All other loans	581,378
Lease financing receivables (net of unearned income)	32,638
Gross loans and leases	$17,913,486
Less: Unearned income on loans reflected in items above	232,163
TOTAL LOANS AND LEASES (net of unearned income)	$17,681,323

CONSOLIDATED STATEMENT OF OPERATIONS AND CAPITAL OF STATE BANKS

(000's Omitted)

SOURCES AND DISPOSITION OF INCOME	1984
Interest Income:	
Interest and fee income on loans	$2,033,702
Interest from lease financing receivables	3,188
Interest income on balances due from depository institutions	460,305
Interest and dividend income on securities	671,843
Interest income from assets held in trading accounts	1,769
Interest income on federal funds sold and securities purchased under agreements to resell	109,510
Total interest income	$3,280,317
Interest Expense:	
Interest on deposits	$1,996,467
Expense of federal funds purchased and securities sold under agreements to repurchase	140,344
Interest on demand notes issued to the U. S. Treasury and on other borrowed money	24,347
Interest on mortgage indebtedness and obligations under capitalized leases	1,943
Interest on notes and debentures subordinated to deposits	7,087
Total interest expense	$2,170,188
Net interest income	$1,110,129
LESS: Provision for loan and lease losses	97,960
Noninterest income	254,707
Gains (losses) on securities not held in trading accounts	(3,719)
Noninterest Expense:	
Salaries and employee benefits	$ 458,532
Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	134,842
Other noninterest expense	323,835
Total noninterest expense	$ 917,209
Income (loss) before income taxes and extraordinary items and other adjustments	$ 345,948
LESS: Applicable income taxes	76,741
Income (loss) before extraordinary items and other adjustments	$ 269,207
Extraordinary items (net of taxes)	18,299
Net income	$ 287,506

CHANGES IN EQUITY CAPITAL

Balance end of previous year	$1,953,241
Adjustments	(1,030)
Adjusted balance end of previous year	$1,952,211
Net income (loss)	287,506
Sale, conversion, acquisition, or retirement of capital, net	5,420
Changes incident to mergers and absorptions, net	8,736
LESS: Cash dividends declared on common stock	(141,990)
LESS: Cash dividends declared on preferred stock	(117)
Other increases (decreases)	6,368
Balance end of period	$2,118,134

CONSOLIDATED TRUST DEPARTMENT BALANCE SHEET OF STATE BANKS

MARKET VALUE

(000's Omitted)

TRUST ASSETS	65* Trust Depts. December 31, 1983	68** Trust Depts. December 31, 1984
Noninterest-Bearing Deposits-Own Bank	$ 50,073	$ 31,007
Noninterest-Bearing Deposits-Other	187	272
Interest-Bearing Deposits-Own Bank	138,713	143,018
Interest-Bearing Deposits-Other	80,933	52,961
U.S. Government and Agency Obligations	1,836,895	1,916,896
State, County and Municipal Obligations	477,259	539,896
Other Short-Term Obligations	1,047,197	1,552,804
Other Notes and Bonds	1,191,451	1,186,918
Preferred Stocks	91,095	84,753
Common Stocks	3,560,493	3,487,853
Real Estate Mortgages	114,567	117,171
Real Estate	149,997	151,371
Miscellaneous	266,652	345,675
TOTAL ASSETS	$9,005,512	$9,610,595
TRUST LIABILITIES		
TRUST AND ESTATES:		
Employee Benefit	$2,365,289	$2,443,006
Personal Trusts	4,066,337	4,344,538
Estates	320,605	210,562
AGENCIES:		
Employee Benefit	872,697	1,028,660
All Others	1,380,584	1,583,829
TOTAL LIABILITIES	$9,005,512	$9,610,595
Total Number of Accounts	30,017	29,495

*Includes 9 trust departments with full or limited trust powers granted, but not exercised
**Includes 11 trust departments with full or limited trust powers granted, but not exercised

CONSOLIDATED BALANCE SHEET OF NATIONAL BANKS

(000's Omitted)

ASSETS		119 Banks December 31, 1984
Cash and balances due from depository institutions		$ 5,393,421
Noninterest-bearing balances and currency and coin	$ 2,409,908	
Interest-bearing balances	2,983,513	
Securities		6,657,405
Federal funds sold and securities purchased under agreements to resell		1,290,767
Total loans and leases (excluding unearned income)	$20,420,124	
Less: Allowance for loan and lease losses	238,365	
Net loans and leases		20,181,759
Assets held in trading accounts		86,533
Premises and fixed assets (including capitalized leases)		462,399
Other real estate owned		99,969
Investments in unconsolidated subsidiaries and associated companies		14,298
Customers' liability to banks on acceptances outstanding		283,286
Intangible assets		1,766
Other assets		657,645
TOTAL ASSETS		$35,129,248

LIABILITIES		
Total deposits		$28,064,393
Noninterest-bearing	$ 6,053,498	
Interest-bearing	22,010,895	
Federal funds purchased and securities sold under agreements to repurchase		3,340,395
Demand notes issued to the U. S. Treasury		354,867
Other borrowed money		220,215
Mortgage indebtedness and obligations under capitalized leases		39,586
Banks' liability on acceptances executed and outstanding		283,286
Notes and debentures subordinated to deposits		149,673
Other liabilities		568,550
TOTAL LIABILITIES		$33,020,965

EQUITY CAPITAL	
Perpetual preferred stock	$ 720
Common stock	359,282
Surplus	656,611
Undivided profits and capital reserves	1,091,670
TOTAL EQUITY CAPITAL	$ 2,108,283
TOTAL LIABILITIES AND EQUITY CAPITAL	$35,129,248

SELECTED FINANCIAL RATIOS - 1984

No.	Category	Return On Average Assets	Total Loans/ Total Assets	Consumer Loans/ Total Loans	Commercial Loans/ Total Loans	Mortgage Loans/ Total Loans	Interest Bearing Deposits/ Total Deposits	IRA and Keogh Accounts/ Total Deposits
248	State Banks	1.08%	54.15%	29.53%	29.53%	37.45%	84.63%	3.76%
119	National Banks	.78	58.13	16.15	41.90	28.69	78.43	3.75
139	Independent Banks	1.08	53.35	23.34	21.31	47.49	86.00	3.09
228	Holding Co. Banks	.91	56.64	19.63	38.25	30.69	80.79	3.86
367	Michigan Banks	.93	56.21	20.09	36.16	32.75	81.53	3.75

STATE BANKS

	1980	1981	1982	1983	1984
Number of State Banks - January 1	249	250	250	251	248
Plus: Charters Granted	2	2	2	1	2
Conversions - National to State	2	2	2	1	1
Less: Mergers/Consolidations	1	2	2	5	2
Receiverships/Liquidations	0	0	1	0	1
Conversions - State to National	2	2	0	0	0
Number of State Banks - December 31	250	250	251	248	248
Number of State Bank Branches	1,095	1,138	1,158	1,140	1,142

NATIONAL BANKS AND BRANCHES

	1980	1981	1982	1983	1984
National Banks	126	126	125	124	119
Branches of National Banks	971	997	1,009	981	972

NUMBER OF BANKS CHARTERED PER YEAR

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
State Banks Affiliated with Bank Holding Companies	4	5	1	0	6	2	1	1	1	1
National Banks Affiliated with Bank Holding Companies	2	3	1	4	1	3	1	1	0	1
State Banks Not Affiliated with Bank Holding Companies	0	0	0	1	2	1	1	1	0	1
National Banks Not Affiliated with Bank Holding Companies	4	0	3	0	1	1	1	1	1	0

NOTE: All national bank data obtained from Office of the Comptroller of the Currency.

CONVERSIONS

	1980	1981	1982	1983	1984
State to National	2	2	0	0	0
National to State	2	2	2	1	1

NEW BANKS

Date Effective	Name of Bank	Location	Initial Capital Stock
Jan. 20, 84	*River Place Financial Corp.	Detroit	Commenced business with common capital stock of $1,000,000 divided into two classes of common stock: Series A $500,000 divided into 50,000 shares, par value of $10.00 each; Series B $500,000 divided into 50,000 shares, par value of $10.00 each.
Feb. 6, 84	FMB-First Michigan Bank-Grand Rapids	Grand Rapids	Commenced business with common capital stock of $500,000 divided into 100,000 shares with a par value of $5.00 each.

*Deposits not insured by FDIC and deposits from the general public are not accepted.

CONVERSION FROM NATIONAL BANKING ASSOCIATION TO STATE-CHARTERED BANK

Date Effective	Name of Bank	City
Aug. 31, 84	Northern National Bank . . . . . Converted to Chemical Bank North with $750,000 of common capital stock divided into 60,000 shares with a par value of $12.50 each.	Grayling

CONSOLIDATIONS

Date Effective	Name of Bank	City
April 2, 84	Pacesetter National Bank . . . . . Consolidated with and into Pacesetter Bank and Trust-Southwest, Niles, Michigan, under the charter of Pacesetter Bank and Trust-Southwest and under the name of Old Kent Bank-Southwest.	Cassopolis
Mar. 1, 84	Old Kent Bank of Grandville . . . . . Consolidated with and into Old Kent Bank and Trust Company, Grand Rapids, Michigan, under the charter and name of Old Kent Bank and Trust Company.	Grandville
Jan. 1, 84	Old Kent Bank of Norton Shores, National Association . . . . . Consolidated with and into Pacesetter Bank & Trust-West, Grand Haven, Michigan, under the charter of Pacesetter Bank & Trust-West and under the name of Old Kent Bank of Grand Haven.	Norton Shores
Mar. 1, 84	Old Kent Bank of Wyoming . . . . . Consolidated with and into Old Kent Bank and Trust Company, Grand Rapids, Michigan, under the charter and name of Old Kent Bank and Trust Company.	Wyoming

VOLUNTARY LIQUIDATION

Date Effective	Name of Bank	City
Dec. 31, 84	Merchants Bank of Detroit	Detroit

RELOCATIONS OF MAIN OFFICE

Date Effective	Name and Location of Bank	From	To
Nov. 13, 84	The Peoples State Bank of St. Joseph St. Joseph	The corner of Ship and State Streets City of St. Joseph Berrien County, MI	830 Pleasant Street City of St. Joseph Berrien County, MI
May 14, 84	The Bank of Three Oaks Three Oaks	21 North Elm Street Village of Three Oaks Berrien County, MI	3 North Elm Street Village of Three Oaks Berrien County, MI

CHANGES IN CORPORATE NAME

Date Effective	City	From	To
July 1, 84	Bad Axe	Community Bank	NewCentury Bank-Thumb
Sept. 15, 84	Big Rapids	Central Michigan Bank and Trust	Old Kent Bank of Big Rapids
Sept. 15, 84	Cadillac	First Bank of Cadillac	Old Kent Bank of Cadillac
April 1, 84	Dundee	Monroe County Bank	NBD Monroe County Bank
July 1, 84	Frankenmuth	Frankenmuth Bank & Trust	NewCentury Bank
April 1, 84	Fremont	Fremont Bank and Trust Company	Old Kent Bank of Fremont
Sept. 15, 84	Gaylord	Gaylord State Bank	Old Kent Bank of Gaylord
Jan. 1, 84	Grand Haven	Pacesetter Bank & Trust-West	Old Kent Bank of Grand Haven
Dec. 21, 84	Grand Rapids	United Community Bank	United Bank of Michigan
Aug. 6, 84	Hart	The Oceana County Savings Bank	FMB-Oceana Bank
April 1, 84	Holland	Peoples Bank of Holland	Old Kent Bank of Holland
July 1, 84	Howell	McPherson State Bank	NewCentury Bank-Metro West
July 1, 84	Mt. Pleasant	American Security Bank	NewCentury Bank-Mt. Pleasant
April 2, 84	Niles	Pacesetter Bank and Trust-Southwest	Old Kent Bank-Southwest
Feb. 7, 84	Olivet	The Olivet State Bank	Independent Bank-South Michigan
July 1, 84	Oscoda	Oscoda State Bank	NewCentury Bank-AuSable
Sept. 15, 84	Petoskey	State Bank and Trust Company	Old Kent Bank of Petoskey
June 30, 84	Rudyard	The Citizens State Bank of Rudyard	First of America Bank-Rudyard
Sept. 15, 84	Traverse City	Pacesetter Bank & Trust-Grand Traverse	Old Kent Bank-Grand Traverse
Dec. 31, 84	Trenton	Peoples Bank and Trust Company	Old Kent Bank-Southeast
July 1, 84	West Branch	The State Savings Bank of West Branch	NewCentury Bank-West Branch

EXTENSION OFFICES ESTABLISHED

Date Effective	Name of Bank	City-Main Office	Location of Extension Office
April 4, 84	Inter-City Bank	Benton Harbor	2620 Cleveland Avenue St. Joseph Township, Berrien County, MI (Extension of branch office located at 2600 Cleveland Avenue, St. Joseph Township, Berrien County, MI)
Sept. 10, 84	NBD Roscommon Bank	Roscommon	209 Morenci Street (Mio) Big Creek Township, Oscoda County, MI (Extension of branch office located at 122 Morenci Street (Mio), Big Creek Township, Oscoda County, MI)

BRANCH APPLICATIONS

	1980	1981	1982	1983	1984
Applications Received					
State Banks	44	30	14	10	12
National Banks	42	21	11	7	9
Branches Approved					
State Banks	52	31	15	11	12
National Banks	45	30	17	5	4
Branches Denied					
State Banks	2	0	1	0	0
National Banks	0	0	0	0	0
Branches Established					
State Banks	86*	60*	35*	59*	17*
National Banks	64	26	23	9	5

*Totals include branch openings through conversions, consolidations and purchase and assumptions.
National bank data was obtained from the Office of the Comptroller of the Currency.

BRANCH OFFICES ESTABLISHED

Date Effective	Name of Bank	City-Main Office	Location of Branch Office
Dec. 27, 84	Alpena Savings Bank	Alpena	2336 U.S. 23 South Alpena Township, Alpena County, MI
June 4, 84	Citizens Trust	Ann Arbor	2001 Commonwealth Boulevard City of Ann Arbor, Washtenaw County, MI
Jan. 1, 84	Old Kent Bank of Grand Haven	Grand Haven	[1] 710 Seminole Road City of Norton Shores, Muskegon County, MI
Mar. 1, 84	Old Kent Bank and Trust Company	Grand Rapids	[2] 4460 Wilson Avenue, S. W. City of Grandville, Kent County, MI
			[3] 4404 Clyde Park Avenue, S. W. City of Wyoming, Kent County, MI
Sept. 10, 84	United Bank of Michigan	Grand Rapids	3740 Plainfield Avenue, N. E. Plainfield Township, Kent County, MI
Aug. 31, 84	Chemical Bank North	Grayling	[4] 505 North Fifth Street Higgins Township, Roscommon County, MI
			[5] 8025 Highway M-55 (Houghton Lake Heights), Roscommon County, MI
Aug. 27, 84	Commercial State Savings Bank	Greenville	810 North State Street Day Township, Montcalm County, MI
April 2, 84	Old Kent Bank-Southwest	Niles	[6] 116 South Broadway Village of Cassopolis, Cass County, MI
			[7] U. S. 12 at Adamsville Road (Adamsville), Cass County, MI
			[7] 12097 M-60 (Jones), Cass County, MI

[1] Former main office of Old Kent Bank of Norton Shores, N. A., Norton Shores
[2] Former main office of Old Kent Bank of Grandville, Grandville
[3] Former main office of Old Kent Bank of Wyoming, Wyoming
[4] Former branch office of Northern National Bank, Grayling
[5] Former branch office of Chemical Bank Lake City, Lake City
[6] Former main office of Pacesetter National Bank, Cassopolis
[7] Former branch office of Pacesetter National Bank, Cassopolis

BRANCH OFFICES ESTABLISHED - Cont.

Date Effective	Name of Bank	City-Main Office	Location of Branch Office
Aug. 20, 84	First of America Bank-Wayne Oakland	Royal Oak	17430 West 13 Mile Road Southfield Township, Oakland County, MI
April 17, 84	Fidelity Bank of Southfield	Southfield	29777 Telegraph Road City of Southfield, Oakland County, MI
Dec. 5, 84	Chemical Bank Montcalm	Stanton	401 North State Street City of Stanton, Montcalm County, MI
Nov. 19, 84	Comerica Bank-Troy	Troy	3016 West Walton Boulevard Avon Township, Oakland County, MI
Oct. 1, 84	Fidelity Bank of Troy	Troy	100 East Big Beaver Road City of Troy, Oakland County, MI

BRANCH OFFICES CLOSED

Date Effective	Name of Bank	City-Main Office	Location of Branch Office
Jan. 20, 84	Central State Bank	Beulah	254 South Benzie Boulevard Village of Beulah, Benzie County, MI
Feb. 29, 84	Comerica Bank-Detroit	Detroit	615 Griswold Street City of Detroit, Wayne County, MI
Mar. 9, 84	Comerica Bank-Detroit	Detroit	5601 West Warren Avenue City of Detroit, Wayne County, MI
			12612 Grand River City of Detroit, Wayne County, MI
Mar. 26, 84	Comerica Bank-Detroit	Detroit	31255 Southfield Road City of Birmingham, Oakland County, MI
April 16, 84	Comerica Bank-Detroit	Detroit	Metro Airport City of Romulus, Wayne County, MI
July 18, 84	Comerica Bank-Detroit	Detroit	46 State Street City of Detroit, Wayne County, MI
Dec. 7, 84	Comerica Bank-Detroit	Detroit	7960 Kercheval City of Detroit, Wayne County, MI
			9010 Chalmers City of Detroit, Wayne County, MI
June 15, 84	Citizens Commercial & Savings Bank	Flint	1702 Glenwood Avenue City of Flint, Genesee County, MI
Aug. 31, 84	Chemical Bank Lake City	Lake City	[1] 8025 Highway M-55, (Houghton Lake Heights) Roscommon Township, Roscommon County, MI
Dec. 31, 84	First of America Bank-Central	Lansing	1200 South Washington Avenue City of Lansing, Ingham County, MI
Dec. 31, 84	Michigan Bank-Mid South	Litchfield	196 Moscow Road, (Horton) Hanover Township, Jackson County, MI
Sept. 28, 84	Old Kent Bank-Southwest	Niles	1101 Barron Lake Road Howard Township, Cass County, MI
Sept. 8, 84	Peoples State Bank	Williamston	1379 Mason Street Village of Dansville, Ingham County, MI

[1] Reopened as branch of Chemical Bank North, Grayling

NEW CAPITAL

Name of Bank	City	Sale of New Stock	Subordinated Capital Notes
Bellaire State Bank	Bellaire	$250,000.00*	$500,000.00
River Place Financial Corp.	Detroit		$500,000.00

*Reserved for the conversion of convertible subordinated capital notes.

INSTITUTIONS AUTHORIZED TO EXERCISE TRUST POWERS AS OF DECEMBER 31, 1984

Institutions authorized to exercise full trust powers in accordance with Sections 181 through 186 of the Michigan banking code of 1969:

Bank of Alma	Alma
Alpena Savings Bank	Alpena
NBD Alpena Bank	Alpena
Citizens Trust	Ann Arbor
First of America Bank - Ann Arbor	Ann Arbor
Comerica Bank - Battle Creek	Battle Creek
Inter-City Bank	Benton Harbor
Old Kent Bank of Big Rapids	Big Rapids
*Farmers State Bank of Breckenridge	Breckenridge
NBD Cadillac Bank	Cadillac
First of America Bank - Copper Country	Calumet
Chemical Bank Clare	Clare
Branch County Bank	Coldwater
Dearborn Bank and Trust Company	Dearborn
Comerica Bank-Detroit	Detroit
*River Place Financial Corp.	Detroit
East Lansing State Bank	East Lansing
Michigan Bank - Huron	East Tawas
Citizens Commercial & Savings Bank	Flint
Genesee Merchants Bank & Trust Co.	Flint
NewCentury Bank	Frankenmuth
Old Kent Bank of Fremont	Fremont
The Old State Bank of Fremont	Fremont
Old Kent Bank of Grand Haven	Grand Haven
The Peoples Bank and Trust Company	Grand Haven
Old Kent Bank and Trust Company	Grand Rapids
Commercial State Savings Bank	Greenville
Liberty State Bank & Trust	Hamtramck
The Hastings City Bank	Hastings
The Peninsula Bank	Ishpeming
Comerica Bank - Kalamazoo	Kalamazoo
Chemical Bank Lake City	Lake City
Bank of Lansing	Lansing
First of America Bank - Central	Lansing
Lapeer County Bank & Trust Co.	Lapeer
Ludington Bank and Trust Company	Ludington
Manistee Bank & Trust Co.	Manistee
Chemical Bank and Trust Company	Midland
Comerica Bank - Midland	Midland
Monroe Bank & Trust	Monroe
Security Bank of Monroe	Monroe
Isabella Bank and Trust	Mt. Pleasant
First of America Bank - Muskegon	Muskegon
FMB - Lumberman's Bank	Muskegon
Old Kent Bank-Southwest	Niles
Pacesetter Bank and Trust	Owosso
Old Kent Bank of Petoskey	Petoskey
First of America Bank - Wayne Oakland	Royal Oak
The Commercial and Savings Bank of St. Clair County	St. Clair
Clinton Bank and Trust Company	St. Johns
State Savings Bank of Scottville	Scottville
Security Bank and Trust Company	Southgate
Citizens Trust and Savings Bank	South Haven
The Citizens State Bank	Sturgis
United Savings Bank of Tecumseh	Tecumseh
Old Kent Bank-Grand Traverse	Traverse City
Old Kent Bank-Southeast	Trenton
Trenton Bank and Trust Company	Trenton
Wyandotte Savings Bank	Wyandotte
FMB-First Michigan Bank	Zeeland

Institutions authorized to exercise specifically limited trust powers:

FMB - Community Bank	Dowagiac
State Savings Bank, Frankfort, Mich.	Frankfort
Bank of Commerce	Hamtramck
Peoples State Bank	Hamtramck
Harbor Springs State Bank	Harbor Springs
State Savings Bank	Lowell
G. W. Jones Exchange Bank	Marcellus
Kalamazoo County State Bank	Schoolcraft

*Granted full trust powers in 1984.

TRUST SERVICES
AS OF DECEMBER 31, 1984

State banks which have contracted with another bank (state-chartered or national association) to either provide trust services in its name and for its account at one or more of the banking offices of the other bank or to permit a state or national bank having its principal office in this state and exercising full trust powers to carry on trust services at one or more of its banking offices pursuant to Section 181a of the Michigan banking code of 1969.

Name and Location of Host Bank		Name and Location of Provider Bank
Bank of Lenawee County	Adrian	Comerica Bank - Detroit, Detroit
Commercial Savings Bank	Adrian	Citizens Trust, Ann Arbor
Chemical Bank Albion	Albion	Chemical Bank and Trust Company, Midland
The Algonac Savings Bank	Algonac	The Commercial and Savings Bank of St. Clair County, St. Clair
Alpena Savings Bank	Alpena	Comerica Bank - Detroit, Detroit
NBD Alpena Bank	Alpena	National Bank of Detroit, Detroit
Comerica Bank - Ann Arbor, N.A.	Ann Arbor	Comerica Bank - Detroit, Detroit
Chemical Bank Au Gres	Au Gres	Chemical Bank and Trust Company, Midland
Manufacturers Bank of Bay City	Bay City	Manufacturers National Bank of Detroit, Detroit
Chemical Bank Gladwin County	Beaverton	Chemical Bank and Trust Company, Midland
Bellaire State Bank	Bellaire	National Bank of Detroit, Detroit
Old Kent Bank of Big Rapids	Big Rapids	Old Kent Bank and Trust Company, Grand Rapids
Fidelity Bank of Michigan	Birmingham	National Bank of Detroit, Detroit
The Blissfield State Bank	Blissfield	National Bank of Detroit, Detroit
The Brighton State Bank	Brighton	Old Kent Bank and Trust Company, Grand Rapids
Brown City Savings Bank	Brown City	National Bank of Detroit, Detroit
NBD Cadillac Bank	Cadillac	National Bank of Detroit, Detroit
Old Kent Bank of Cadillac	Cadillac	Old Kent Bank and Trust Company, Grand Rapids
First of America Bank - Copper Country	Calumet	First of America Bank - Marquette, N.A., Marquette
The Peoples State Bank of Caro, Michigan	Caro	Genesee Merchants Bank & Trust Co., Flint
State Savings Bank of Caro	Caro	National Bank of Detroit, Detroit
The Cass City State Bank	Cass City	National Bank of Detroit, Detroit
Chemical Bank Cass City	Cass City	Chemical Bank and Trust Company, Midland
Charlevoix County State Bank	Charlevoix	National Bank of Detroit, Detroit
First State Bank of Charlevoix	Charlevoix	Manufacturers National Bank of Detroit, Detroit
First of America Bank - Charlotte	Charlotte	First of America Bank - Central, Lansing
Citizens National Bank of Cheboygan	Cheboygan	Comerica Bank - Detroit, Detroit
First of America Bank - Straits Area	Cheboygan	First of America Bank - Marquette, N.A., Marquette
Chelsea State Bank	Chelsea	NBD Ann Arbor, N.A., Ann Arbor
Chemical Bank Clare	Clare	Chemical Bank and Trust Company, Midland
Manufacturers Bank of Coopersville	Coopersville	Manufacturers National Bank of Detroit, Detroit
State Bank of Croswell	Croswell	National Bank of Detroit, Detroit
Sanilac County Bank	Deckerville	National Bank of Detroit, Detroit
First of America Bank - Deerfield	Deerfield	First of America Bank - Ann Arbor, Ann Arbor
FMB - Community Bank	Dowagiac	FMB - First Michigan Bank, Zeeland
NBD Monroe County Bank	Dundee	NBD Ann Arbor, N.A., Ann Arbor
Northwestern State Bank	East Jordan	Manufacturers National Bank of Detroit, Detroit
Michigan Bank - Huron	East Tawas	Michigan National Bank, Lansing
Northern Michigan Bank	Escanaba	National Bank of Detroit, Detroit
State Bank of Escanaba	Escanaba	First of America Bank - Michigan, N.A., Kalamazoo
The Farwell State Savings Bank	Farwell	National Bank of Detroit, Detroit
State Savings Bank of Fenton	Fenton	Comerica Bank - Detroit, Detroit
Community State Bank of Fowlerville	Fowlerville	Genesee Merchants Bank & Trust Co., Flint
Old Kent Bank of Fremont	Fremont	Old Kent Bank and Trust Company, Grand Rapids
First National Bank of Gaylord	Gaylord	Comerica Bank - Detroit, Detroit

Name and Location of Host Bank		Name and Location of Provider Bank
Old Kent Bank of Gaylord	Gaylord	Old Kent Bank and Trust Company, Grand Rapids
First of America Bank - Mid Michigan	Gladwin	First of America Bank - Central, Lansing
Pacesetter Bank - Southeast	Grand Blanc	Old Kent Bank and Trust Company, Grand Rapids
First of America Bank - Grand Ledge	Grand Ledge	First of America Bank - Central, Lansing
United Bank of Michigan	Grand Rapids	Manufacturers National Bank of Detroit, Detroit
*Chemical Bank North	Grayling	Chemical Bank and Trust Company, Midland
Grayling State Bank	Grayling	Manufacturers National Bank of Detroit, Detroit
Commercial State Savings Bank	Greenville	Manufacturers National Bank of Detroit, Detroit
Comerica Bank - Grosse Pointe, N.A.	Grosse Pointe	Comerica Bank - Detroit, Detroit
Farmers and Merchants State Bank of Hale	Hale	National Bank of Detroit, Detroit
First of America Bank - Huron	Harbor Beach	First of America Bank - Central, Lansing
Harbor Springs State Bank	Harbor Springs	Manufacturers National Bank of Detroit, Detroit
Hillsdale State Savings Bank	Hillsdale	Old Kent Bank and Trust Company, Grand Rapids
Old Kent Bank of Holland	Holland	Old Kent Bank and Trust Company, Grand Rapids
First National Bank in Howell	Howell	First of America Bank - Central, Lansing
NewCentury Bank-Metro West	Howell	NewCentury Bank, Frankenmuth
Bank of Hudsonville	Hudsonville	Union Bank and Trust Company, N.A., Grand Rapids
Michigan Bank - Midwest	Jackson	Michigan National Bank, Lansing
Old Kent Bank of Kalamazoo	Kalamazoo	Old Kent Bank and Trust Company, Grand Rapids
NBD Northwest Bank	Kalkaska	National Bank of Detroit, Detroit
Old Kent Bank of Kentwood	Kentwood	Old Kent Bank and Trust Company, Grand Rapids
Northern Michigan Bank of Kingsford	Kingsford	National Bank of Detroit, Detroit
Chemical Bank Lake City	Lake City	Chemical Bank and Trust Company, Midland
Union Bank	Lake Odessa	National Bank of Detroit, Detroit
NBD Commerce Bank	Lansing	National Bank of Detroit, Detroit
Lewiston State Bank	Lewiston	National Bank of Detroit, Detroit
Comerica Bank - Livonia	Livonia	Comerica Bank - Detroit, Detroit
Manufacturers Bank of Livonia	Livonia	Manufacturers National Bank of Detroit, Detroit
Antrim County State Bank	Mancelona	National Bank of Detroit, Detroit
The State Savings Bank of Manistique	Manistique	The First National Bank & Trust Company of Marquette, Marquette
Northern Michigan Bank of Marquette	Marquette	National Bank of Detroit, Detroit
Chemical Bank Marshall	Marshall	Chemical Bank and Trust Company, Midland
Mason State Bank	Mason	East Lansing State Bank, East Lansing
First of America Bank - Menominee	Menominee	First of America Bank - Marquette, N.A., Marquette
Mount Clemens Bank	Mt. Clemens	National Bank of Detroit, Detroit
NewCentury Bank-Mt. Pleasant	Mt. Pleasant	NewCentury Bank-Bay City, N.A., Bay City
Peoples State Bank of Munising	Munising	First of America Bank - Marquette, N.A., Marquette
Pioneer Bank	North Branch	National Bank of Detroit, Detroit
Manufacturers Bank of Novi	Novi	Manufacturers National Bank of Detroit, Detroit
NewCentury Bank-AuSable	Oscoda	NewCentury Bank-Bay City, N.A., Bay City
Key State Bank	Owosso	Citizens Commercial & Savings Bank, Flint
Old Kent Bank of Petoskey	Petoskey	Old Kent Bank and Trust Company, Grand Rapids
NBD Portage Bank	Portage	National Bank of Detroit, Detroit
Peoples Bank of Port Huron	Port Huron	Manufacturers National Bank of Detroit, Detroit
Maynard-Allen State Bank	Portland	Union Bank and Trust Company, N. A., Grand Rapids
Macomb County Bank	Richmond	National Bank of Detroit, Detroit
Security Bank of Richmond	Richmond	Security Bank and Trust Company, Southgate
NBD Roscommon Bank	Roscommon	National Bank of Detroit, Detroit
NBD Saginaw	Saginaw	National Bank of Detroit, Detroit

*Entered into trust services agreement during 1984

Name and Location of Host Bank		Name and Location of Provider Bank
Manufacturers Bank of The Shores	St. Clair Shores	Manufacturers National Bank of Detroit, Detroit
Security Bank St. Clair Shores	St. Clair Shores	Security Bank and Trust Company, Southgate
Manufacturers Bank of Saline	Saline	Manufacturers National Bank of Detroit, Detroit
NBD Sandusky Bank	Sandusky	National Bank of Detroit, Detroit
Central Savings Bank	Sault Ste. Marie	First National Bank and Trust Company, Petoskey
First of America Bank - Bay Area	Sebewaing	First of America Bank - Central, Lansing
Comerica Bank - Central	Shepherd	Comerica Bank - Midland, Midland
Comerica Bank - Southfield	Southfield	Comerica Bank - Detroit, Detroit
The State Savings Bank of South Lyon	South Lyon	First of America Bank - Ann Arbor, Ann Arbor
First of America Bank - Iron County	Stambaugh	First of America Bank - Marquette, N.A., Marquette
State Bank of Standish	Standish	Comerica Bank - Midland, Midland
Chemical Bank Montcalm	Stanton	Chemical Bank and Trust Company, Midland
Bank of Stephenson	Stephenson	National Bank of Detroit, Detroit
Comerica Bank - Metro East, N.A.	Sterling Heights	Comerica Bank - Detroit, Detroit
Old Kent Bank-Southeast	Trenton	Old Kent Bank and Trust Company, Grand Rapids
Comerica Bank - Troy	Troy	Comerica Bank - Detroit, Detroit
Comerica Bank - Warren, N.A.	Warren	Comerica Bank - Detroit, Detroit
Wayne Bank	Wayne	First of America Bank - Ann Arbor, Ann Arbor
Comerica Bank - West Branch, N.A.	West Branch	Comerica Bank - Midland, Midland
NewCentury Bank-West Branch	West Branch	NewCentury Bank-Bay City, N.A., Bay City
The First State Bank, White Cloud, Michigan	White Cloud	Union Bank and Trust Company, N.A., Grand Rapids
Peoples State Bank	Williamston	National Bank of Detroit, Detroit
Ypsilanti Savings Bank	Ypsilanti	Comerica Bank - Detroit, Detroit

BANK HOLDING COMPANIES AND MICHIGAN BANKING SUBSIDIARIES

(Date Acquired)

000's Omitted

		Deposits 12-31-84
Alliance Financial Corporation Dearborn	1. Dearborn Bank and Trust Company, Dearborn (10-1-83)	$ 187,005
American National Holding Company Kalamazoo	1. The American National Bank and Trust Company of Michigan, Kalamazoo (2-1-72)	$ 342,932
	2. The American Bank of Niles, N.A., Niles (1-8-73)	19,942
	3. The American Bank of Three Rivers, N.A., Three Rivers (1-29-73)	25,209
	4. The American National Bank in Portage, Portage (1-29-73)	22,187
	5. The American National Bank in Western Michigan, Allegan (11-5-73)	34,381
	6. The American National Bank in Battle Creek, Battle Creek (10-1-73)	30,996
	7. The American National Bank - West, South Haven (10-1-73)	29,328
	8. Ludington Bank and Trust Company, Ludington (9-30-80)	40,861
	9. Central National Bank of St. Johns, St. Johns (2-1-84)	61,549
		$ 607,385
Bay Port Associates Bay Port	1. Bay Port State Bank, Bay Port (Prior to 1970)	$ 10,331
CB Financial Corporation Jackson	1. City Bank and Trust Company, N.A., Jackson (8-7-81)	$ 288,904
	2. Clinton Bank and Trust Company, St. Johns (12-31-83)	123,483
		$ 412,387
Chemical Financial Corporation Midland	1. Chemical Bank and Trust Company, Midland (6-30-74)	$ 324,635
	2. Chemical Bank Albion, Albion (9-30-75)	19,700
	3. Chemical Bank Au Gres, Au Gres (5-31-77)	24,712
	4. Chemical Bank Gladwin County, Beaverton (6-23-77)	35,145
	5. Chemical Bank Marshall, Marshall (7-31-78)	15,386
	6. Chemical Bank Clare, Clare (12-31-79)	98,937
	7. Chemical Bank Lake City, Lake City (10-10-80)	47,458
	8. Chemical Bank Montcalm, Stanton (12-31-81)	60,666
	9. Chemical Bank Cass City, Cass City (9-30-82)	22,010
	10. Chemical Bank North, Grayling (8-31-84)	34,228
		$ 682,877
Citizens Banking Corporation Flint	1. Citizens Commercial & Savings Bank, Flint (1-1-82)	$ 965,919
	2. Grayling State Bank, Grayling (7-2-84)	32,923
		$ 998,842
Comerica Incorporated Detroit	1. Comerica Bank - Detroit, Detroit (5-31-73)	$ 5,512,254
	2. Comerica Bank - Livonia, Livonia (8-30-74)	112,257
	3. Comerica Bank - Southfield, Southfield (5-1-75)	177,523
	4. Comerica Bank - Warren, N.A., Warren (5-31-75)	262,946
	5. Comerica Bank - Troy, Troy (7-17-75)	146,220
	6. Comerica Bank - Kentwood, N.A., Kentwood (8-31-77)	48,814
	7. Comerica Bank - Hackley, N.A., Muskegon (11-30-77)	280,790
	8. Comerica Bank - Metro East, N.A., Sterling Heights (4-1-78)	108,622
	9. Comerica Bank - Metro West, N.A., Novi (1-31-80)	44,105
	10. Comerica Bank - Kalamazoo, Kalamazoo (7-31-80)	204,111
	11. Comerica Bank - Midland, Midland (7-1-81)	99,935
	12. Comerica Bank - Central, Shepherd (7-1-81)	23,953
	13. Comerica Bank - West Branch, N.A., West Branch (7-1-81)	10,920
	14. Comerica Bank - Battle Creek, Battle Creek (9-1-81)	138,458
	15. Comerica Bank - Ann Arbor, N.A., Ann Arbor (5-1-82)	150,394
	16. Comerica Bank - Jackson, N.A., Jackson (9-1-82)	286,019
	17. Comerica Bank - Grosse Pointe, N.A., Grosse Pointe (11-1-82)	35,608
		$ 7,642,929
Commerce Bancorp, Inc. Hamtramck	1. Bank of Commerce, Hamtramck (3-31-83)	$ 330,771
	2. The State Bank of Fraser, Fraser (3-31-83)	91,337
		$ 422,108

BANK HOLDING COMPANIES AND MICHIGAN BANKING SUBSIDIARIES - Cont.

(Date Acquired)
000's Omitted

		Deposits 12-31-84
Commercial Bankshares Corp. Adrian	1. Commercial Savings Bank, Adrian (12-31-76)	$ 108,878
	2. The Jipson-Carter State Bank, Blissfield (1-31-84)	28,598
		$ 137,476
Erie Financial Corporation Detroit	1. Erie State Bank, Frenchtown Township (9-26-84)	$ 40,988
Fidelity Financial Corporation of Michigan Birmingham	1. Fidelity Bank of Michigan, Birmingham (3-1-73)	$ 41,020
	2. Fidelity Bank of Southfield, Southfield (7-31-74)	20,876
	3. Fidelity Bank of Bingham Farms, Bingham Farms (5-1-80)	8,711
	4. Fidelity Bank of Troy, Troy (6-19-80)	4,254
		$ 74,861
First Macomb Corporation Mt. Clemens	1. Mount Clemens Bank, Mt. Clemens (1-18-75)	$ 205,199
First Manistique Corporation Manistique	1. The First National Bank of Manistique, Manistique (1-29-76)	32,001
	2. Manistique Lakes Bank, Curtis (4-12-76)	9,603
		$ 41,604
First Michigan Bank Corporation Zeeland	1. FMB-First Michigan Bank, Zeeland (3-1-74)	$ 306,589
	2. FMB-First Michigan Bank - Metro, N.A., Walker (9-15-75)	43,193
	3. FMB-Community Bank, Dowagiac (12-31-76)	37,369
	4. FMB-Lumberman's Bank, Muskegon (1-30-79)	147,229
	5. FMB-First Michigan Bank-Grand Rapids, Grand Rapids (2-6-84)	3,545
	6. FMB-Oceana Bank, Hart (6-18-84)	46,540
		$ 584,465
First National Bancshares, Inc. East Lansing	1. First National Bank of Michigan, East Lansing (12-10-81)	$ 42,496
First of America Bank Corporation Kalamazoo	1. First of America Bank - Michigan, N.A., Kalamazoo (3-20-72)	$ 615,239
	2. First of America Bank - Deerfield, Deerfield (3-20-72)	31,567
	3. First of America Bank - Copper Country, Calumet (3-23-72)	50,662
	4. First of America Bank - Holland, N.A., Holland (3-26-73)	88,739
	5. First of America Bank - Straits Area, Cheboygan (5-11-73)	65,304
	6. First of America Bank - Iron County, Stambaugh (4-18-73)	19,107
	7. First of America Bank - Menominee, Menominee (6-4-73)	33,324
	8. First of America Bank - Sault Ste. Marie, N.A., Sault Ste. Marie (5-8-74)	33,997
	9. First of America Bank - Gogebic, N.A., Ironwood (12-13-74)	43,701
	10. First of America Bank - Ludington, N.A., Ludington (12-3-76)	47,813
	11. First of America Bank - Grand Rapids, N. A., Grand Rapids (12-31-76)	31,085
	12. First of America Bank - Central, Lansing (10-1-73)	374,694
	13. First of America Bank - Grand Ledge, Grand Ledge (12-6-73)	14,263
	14. First of America Bank - Charlotte, Charlotte (4-29-74)	19,222
	15. First of America Bank - Ann Arbor, Ann Arbor (4-30-75)	331,761
	16. First of America Bank - Muskegon, Muskegon (6-1-77)	203,652
	17. First of America Bank - Van Buren, Hartford (12-30-78)	33,531
	18. First of America Bank - Bay Area, Sebewaing (1-10-80)	32,145
	19. First of America Bank - Marquette, N.A., Marquette (6-20-80)	48,789
	20. First of America Bank - Wayne Oakland, Royal Oak (7-1-80)	497,480
	21. First of America Bank - South Central, N.A., Quincy (9-29-80)	51,823
	22. First of America Bank - Alger, N.A., Munising (5-13-81)	17,137
	23. First of America Bank - Detroit, N.A., Detroit (10-9-81)	820,791
	24. First of America Bank - Troy, Troy (10-9-81)	43,235
	25. First of America Bank - Rochester, N.A., Rochester (10-9-81)	50,740
	26. First of America Bank - Plymouth, N.A., Plymouth (10-9-81)	54,953
	27. First of America Bank - Huron, Harbor Beach (9-30-82)	25,981
	28. First of America Bank - Mid Michigan, Gladwin (10-1-82)	76,923
	29. First of America Bank - Rudyard, Rudyard (6-30-84)	13,249
		$ 3,770,907

BANK HOLDING COMPANIES AND MICHIGAN BANKING SUBSIDIARIES - Cont.

	(Date Acquired) 000's Omitted	Deposits 12-31-84
First of Huron Corporation Bad Axe	1. First National Bank of Bad Axe, Bad Axe (12-28-81)	$ 61,544
First State Financial Corporation East Detroit	1. First State Bank of East Detroit, East Detroit (2-28-81) . . . . . 2. Macomb County Bank, Richmond (1-28-82)	$ 176,687 30,020
		$ 206,707
First State Investment Co. Greenville	1. First State Bank of Greenville, Greenville (Prior to 1970)	$ 52,770
FNB Bancorp Fenton	1. First National Bank of Fenton, Fenton (12-31-84)	$ 66,091
Harbor Country Banking Corporation Three Oaks	1. The Bank of Three Oaks, Three Oaks (9-30-83)	$ 44,225
Harbor Springs Financial Corporation Harbor Springs	1. Harbor Springs State Bank, Harbor Springs (2-1-83)	$ 25,643
Independent Bank Corporation Ionia	1. First Security Bank, Ionia (6-1-74)	$ 92,795
	2. First State Bank of Newaygo, Newaygo (12-16-74)	16,919
	3. Independent Bank - West Michigan, Rockford (8-21-75)	13,698
	4. Western State Bank, Howard City (2-7-77)	29,122
	5. Independent Bank-South Michigan, Olivet (10-19-79)	9,326
	6. The Peoples Bank of Leslie, Leslie (2-16-81)	31,107
		$ 192,967
Kasco Financial Corporation Warren	1. Warren Bank, Warren (12-31-81)	$ 185,373
Manufacturers National Corporation Detroit	1. Manufacturers National Bank of Detroit, Detroit (4-24-73). . . .	$ 4,502,343
	2. Manufacturers Bank of Livonia, Livonia (1-2-74)	75,720
	3. Manufacturers Bank of Saline, Saline (6-3-74)	92,710
	4. Manufacturers Bank of Bay City, Bay City (9-30-75)	92,433
	5. Manufacturers Bank of Southfield, N.A., Southfield (2-11-77). . .	161,412
	6. Manufacturers Bank of The Shores, St. Clair Shores (6-6-77) . . .	53,997
	7. American Heritage Bancshares, Inc., East Lansing (6-13-79) Manufacturers Bank of Coopersville, Coopersville (10-28-74) . .	46,797
	8. Manufacturers Bank of Novi, Novi (10-24-79)	25,826
	9. Bank of Lansing, Lansing (1-30-81)	250,123
		$ 5,301,361
Metro Bancorp, Inc. Farmington Hills	1. Metropolitan National Bank of Farmington, Farmington Hills (1-1-82)	$ 33,858
Michigan Financial Corporation Marquette	1. The First National Bank & Trust Company of Marquette, Marquette (10-1-73)	$ 139,527
	2. First National Bank and Trust Company, Escanaba (10-1-73) . . .	81,619
	3. The Miners' First National Bank & Trust Company of Ishpeming, Ishpeming (10-1-73)	53,100
	4. The First National Bank of Hermansville, Hermansville (10-1-73) .	16,755
	5. The Gwinn State Savings Bank, Gwinn (10-1-73)	15,697
	6. Trenary State Bank, Trenary (10-1-73)	10,520
	7. First National Bank of Ironwood, Ironwood (12-31-74)	54,594
	8. The Iron River National Bank, Iron River (6-1-77).	32,990
	9. First National Bank & Trust of Menominee, Menominee (12-31-81)	59,752
		$ 464,554
Michigan National Corporation Bloomfield Hills	1. Michigan National Bank, Lansing (11-6-72)	$ 1,382,470
	2. Michigan National Bank of Detroit, Detroit (11-6-72)	1,420,644
	3. Michigan National Bank - West Metro, Livonia (11-6-72)	287,163

BANK HOLDING COMPANIES AND MICHIGAN BANKING SUBSIDIARIES - Cont.

(Date Acquired)

000's Omitted

		Deposits 12-31-84
Michigan National Corporation (Cont.) Bloomfield Hills	4. Michigan National Bank - North Metro, Troy (11-6-72)	327,495
	5. Michigan National Bank - Oakland, Southfield (11-6-72)	418,965
	6. Michigan National Bank - Mid Michigan, Flint (12-10-73)	275,652
	7. Michigan National Bank - West, Kalamazoo (1-7-74)	63,034
	8. Michigan National Bank - Valley, Midland (12-10-74)	139,263
	9. Michigan National Bank - Central, Wyoming (12-10-74)	286,438
	10. Michigan National Bank of Macomb, Warren (12-30-74)	182,228
	11. Michigan National Bank - Grand Traverse, Traverse City (9-29-75)	53,561
	12. Michigan National Bank - West Oakland, Novi (11-25-75)	76,323
	13. Michigan National Bank - Michiana, Cassopolis (3-11-76)	131,189
	14. Michigan National Bank - Farmington, Farmington Hills (6-27-77)	44,884
	15. Michigan National Bank - Sterling, Sterling Heights (3-2-78)	64,387
	16. Michigan Bank - Port Huron, Port Huron (4-20-78)	272,136
	17. Michigan National Bank - Ann Arbor, Ann Arbor (6-13-79)	55,695
	18. Michigan National Bank - North, Petoskey (12-31-79)	21,801
	19. Michigan National Bank - South Metro, Dearborn (12-31-79)	214,920
	20. Michigan Bank - Livingston, Brighton (12-31-79)	51,671
	21. Michigan Bank - Mid South, Litchfield (12-31-79)	53,472
	22. Michigan Bank - Midwest, Jackson (9-17-81)	72,391
	23. Michigan Bank - Huron, East Tawas (11-5-81)	50,107
		$ 5,945,889
Midland Bancorp, Inc. Detroit	1. Peoples Bank of Port Huron, Port Huron (6-30-72)	$ 209,574
NBD Bancorp, Inc. Detroit	1. National Bank of Detroit, Detroit (1-1-73)	$ 8,091,530
	2. NBD Dearborn Bank, N.A., Dearborn (6-4-74)	47,575
	3. NBD Grand Valley Bank, N.A., Grandville (11-4-74)	82,276
	4. NBD Commerce Bank, Lansing (9-2-75)	68,334
	5. NBD Troy Bank, N.A., Troy (2-23-76)	47,053
	6. NBD Port Huron Bank, N.A., Port Huron (10-28-76)	21,013
	7. NBD Saginaw, Saginaw (11-1-78)	119,175
	8. NBD Portage Bank, Portage (4-12-79)	13,288
	9. NBD Alpena Bank, Alpena (8-1-79)	111,142
	10. NBD F & M Bank, N.A., Benton Harbor (1-3-80)	172,364
	11. West Michigan Financial Corporation, Cadillac (8-1-80)	
	NBD Cadillac Bank, Cadillac (4-26-73)	172,650
	NBD Evart Bank, N.A., Evart (10-10-74)	29,221
	NBD Northwest Bank, Kalkaska (7-1-82)	33,420
	12. National Ann Arbor Corporation, Ann Arbor (6-1-81)	
	NBD Ann Arbor, N.A., Ann Arbor (2-28-74)	254,542
	NBD Monroe County Bank, Dundee (12-31-79)	26,882
	13. NBD Sandusky Bank, Sandusky (12-31-81)	103,084
	14. NBD Roscommon Bank, Roscommon (12-31-81)	126,681
	15. NBD Northwest Bank, N.A., Traverse City (3-9-84)	73,841
	16. Pontiac State Bank, Pontiac (8-27-84)	525,861
		$10,119,932
NewCentury Bank Corporation Frankenmuth	1. NewCentury Bank-Bay City, N.A., Bay City (11-19-73)	$ 326,180
	2. NewCentury Bank-West Branch, West Branch (11-19-73)	57,838
	3. NewCentury Bank-Mt. Pleasant, Mt. Pleasant (12-31-74)	68,669
	4. NewCentury Bank-AuSable, Oscoda (12-31-74)	32,287
	5. NewCentury Bank, Frankenmuth (7-31-75)	318,723
	6. NewCentury Bank-Lapeer, N.A., Lapeer (6-7-77)	102,584
	7. NewCentury Bank-Thumb, Bad Axe (6-30-81)	95,364
	8. NewCentury Bank-Metro West, Howell (12-31-81)	80,959
		$ 1,082,604
Northern Michigan Corporation Escanaba	1. Northern Michigan Bank, Escanaba (11-1-71)	$ 43,127
	2. Northern Michigan Bank of Marquette, Marquette (5-1-74)	9,321
	3. Northern Michigan Bank of Kingsford, Kingsford (12-15-76)	6,796
		$ 59,244
Northwestern Bank Corporation East Jordan	1. Northwestern State Bank, East Jordan (1-16-81)	$ 76,197

BANK HOLDING COMPANIES AND MICHIGAN BANKING SUBSIDIARIES - Cont.

(Date Acquired)
000's Omitted

		Deposits 12-31-84
Old Kent Financial Corporation Grand Rapids	1. Old Kent Bank and Trust Company, Grand Rapids (10-16-72)	$ 1,923,828
	2. Old Kent Bank of Cadillac, Cadillac (8-1-73)	55,305
	3. Old Kent Bank of Fremont, Fremont (11-1-73)	40,147
	4. Old Kent Bank of Holland, Holland (12-31-73)	177,340
	5. Old Kent Bank of Kentwood, Kentwood (6-22-76)	16,880
	6. Old Kent Bank-Southeast, Trenton (1-3-78)	208,514
	7. Old Kent Bank of Big Rapids, Big Rapids (6-18-79)	85,870
	8. Old Kent Bank of Petoskey, Petoskey (1-2-80)	80,422
	9. Old Kent Bank of Kalamazoo, Kalamazoo (4-1-81)	14,731
	10. Old Kent Bank of Gaylord, Gaylord (6-1-81)	88,621
	11. Old Kent Bank of Grand Haven, Grand Haven (3-31-83)	193,145
	12. Old Kent Bank-Grand Traverse, Traverse City (3-31-83)	266,167
	13. Pacesetter Bank and Trust, Owósso (3-31-83)	200,413
	14. Pacesetter Bank-Southeast, Grand Blanc (3-31-83)	48,254
	15. Old Kent Bank-Southwest, Niles (3-31-83)	222,132
	16. The Brighton State Bank, Brighton (3-31-83)	116,277
	17. Old Kent Bank of Lansing, N.A., Lansing (3-31-83)	29,108
	18. The Almont Savings Bank, Almont (3-31-83)	21,369
	19. Hillsdale State Savings Bank, Hillsdale (3-31-83)	73,305
		$ 3,861,828
Ontonagon First National Corporation Ontonagon	1. The First National Bank in Ontonagon, Ontonagon (10-16-80)	$ 14,711
Pioneer Bankshares, Inc. North Branch	1. Pioneer Bank, North Branch (7-15-83)	$ 11,630
Presque Isle Bancorporation, Inc. Rogers City	1. Presque Isle Bank, Rogers City (6-1-79)	$ 35,078
Royal Bank Group, Inc. Royal Oak	1. National Bank of Royal Oak, Royal Oak (9-5-84)	$ 71,203
Ruth Bank Corporation Ruth	1. Ruth State Bank, Ruth (11-1-84)	$ 20,735
S.B.E. Corp. Escanaba	1. State Bank of Escanaba, Escanaba (11-30-84)	$ 49,109
Second National Corporation Saginaw	1. Second National Bank of Saginaw, Saginaw (1-22-73)	$ 495,481
	2. Second National Bank of Bay City, Bay City (1-5-76)	53,726
		$ 549,207
Security Bancorp, Inc. Southgate	1. Security Bank and Trust Company, Southgate (5-1-72)	$ 839,072
	2. Security Bank Oakland County, Novi (4-17-75)	32,889
	3. Security Bank of Richmond, Richmond (7-1-80)	72,754
	4. Security Bank St. Clair Shores, St. Clair Shores (10-1-82)	69,856
	5. Security Bank of Monroe, Monroe (3-31-83)	186,755
		$ 1,201,326
Southern Michigan Bancorp, Inc. Coldwater	1. Southern Michigan National Bank, Coldwater (11-8-82)	$ 96,549
Spartan Bankcorp, Inc. East Lansing	1. East Lansing State Bank, East Lansing (9-30-83)	$ 129,469
Stockbridge Bancorporation, Inc. Stockbridge	1. Stockbridge State Bank, Stockbridge (5-11-83)	$ 26,537
Superior Financial Corporation Sault Ste. Marie	1. Sault Savings Bank, Sault Ste. Marie (2-1-84)	$ 71,904

BANK HOLDING COMPANIES AND MICHIGAN BANKING SUBSIDIARIES - Cont.

	(Date Acquired) 000's Omitted	Deposits 12-31-84
Tanis, Inc. Houghton	1. First National Bank of Calumet-Lake Linden, Calumet (3-31-73) .	$ 18,501
Union Bancorp, Inc. Grand Rapids	1. Union Bank and Trust Company, N.A., Grand Rapids (3-10-73) . .	$ 659,991
	2. The Peoples Bank and Trust Company, Grand Haven (9-16-74) . .	114,665
	3. First National Bank and Trust Company, Petoskey (4-1-76). . . .	102,561
		$ 877,217
United Community Financial Corporation Wayland	1. United Bank of Michigan, Grand Rapids (1-15-83)	$ 61,897
United Michigan Corporation Flint	1. Genesee Merchants Bank & Trust Co., Flint (5-15-73)	$ 803,085
	2. The Peoples State Bank of Caro, Michigan, Caro (1-26-77)	34,484
	3. Community State Bank of Fowlerville, Fowlerville (5-31-78) . . .	20,680
		$ 858,249
United Midwest Bancorporation, Ltd. Troy	1. Liberty State Bank & Trust, Hamtramck (9-13-71)	$ 220,272
	2. Liberty Bank - Oakland, Troy (8-1-83).	48,023
		$ 268,295
Wakefield Bancorporation, Inc. Wakefield	1. First National Bank of Wakefield, Wakefield (10-31-83)	$ 18,755
WB Financial Corp. Wayne	1. Wayne Bank, Wayne (8-16-83)	$ 62,396
West Shore Bank Corporation Scottville	1. State Savings Bank of Scottville, Scottville (2-8-82).	$ 46,996
Woodlak Company Houghton	1. Commercial National Bank of L'Anse, L'Anse (Prior to 1970) . . .	$ 27,397
	Deposits of Single-Bank Holding Companies	$ 2,004,161
	Deposits of Multi-Bank Holding Companies	$46,365,221
	Total Deposits of all Bank Holding Companies	$48,369,382

STATE BANKS AS OF DECEMBER 31, 1984

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Adrian--Adrian State Bank	10,564	10,604	33,747	406	9,617	43,575	4,185	58,748
*Adrian--Bank of Lenawee County	3,452	25,738	49,478	437	8,548	56,729	8,056	74,535
*Adrian--Commercial Savings Bank	16,874	26,776	62,166	545	13,813	95,065	8,748	121,121
Akron--Akron State Bank	1,242	2,721	11,237	204	2,354	15,011	985	18,565
Albion--Chemical Bank Albion	1,617	6,774	9,926	153	2,948	16,752	1,666	21,734
Alden--Alden State Bank	1,160	5,358	10,384	110	2,007	15,675	1,516	19,274
Algonac--The Algonac Savings Bank	2,661	21,375	33,285	278	6,093	48,828	6,428	63,779
Alma--Bank of Alma	10,958	28,520	72,217	727	11,008	97,978	12,770	123,454
Almont--The Almont Savings Bank	5,306	2,217	13,521	180	3,010	18,359	1,368	22,982
Alpena--Alpena Savings Bank	10,128	33,628	65,430	784	14,862	93,256	8,766	119,446
Alpena--NBD Alpena Bank	8,204	40,094	64,482	720	12,028	99,114	6,517	119,803
Ann Arbor--Citizens Trust	25,570	68,613	149,239	1,596	48,419	201,616	15,047	267,840
*Ann Arbor--First of America Bank - Ann Arbor	28,212	83,996	225,957	2,717	77,420	254,341	25,473	376,402
Au Gres--Chemical Bank Au Gres	1,302	13,798	9,723	129	2,515	22,197	1,989	27,110
Bad Axe--NewCentury Bank-Thumb	9,471	25,085	62,337	685	10,588	84,776	7,459	105,073
Baldwin--Lake-Osceola State Bank	1,843	9,141	10,779	128	3,992	17,360	2,521	24,132
Bangor--The West Michigan Savings Bank	1,617	11,494	7,792	94	2,907	17,219	3,146	23,539
Battle Creek--Comerica Bank - Battle Creek	70,126	4,247	69,255	563	24,310	114,148	12,814	153,775
*Bay City--Manufacturers Bank of Bay City	14,675	19,286	61,668	633	19,504	72,929	7,443	104,244
Bay Port--Bay Port State Bank	733	3,419	4,877	42	1,212	9,119	650	11,100
Beaverton--Chemical Bank Gladwin County	2,359	17,182	15,681	260	3,082	32,063	3,064	38,738
Bellaire--Bellaire State Bank	3,413	5,481	15,196	158	3,520	22,970	2,561	29,371
Benton Harbor--Inter-City Bank	27,836	48,272	122,357	936	32,641	156,137	14,581	210,437
Berrien Springs--Heritage Bank	999	494	5,527	58	683	6,979	795	8,670
Beulah--Central State Bank	1,339	2,083	10,849	111	1,882	14,787	706	17,516
Big Rapids--Old Kent Bank of Big Rapids	32,497	7,135	51,284	649	10,461	75,409	6,468	94,186
Bingham Farms--Fidelity Bank of Bingham Farms	4,159	3,571	1,500	20	3,261	5,450	1,013	9,881
Birmingham--Fidelity Bank of Michigan	4,711	15,592	27,594	376	10,353	30,667	3,776	51,287
*Blissfield--The Blissfield State Bank	2,150	12,886	15,510	68	3,264	26,523	2,688	32,736
Blissfield--The Jipson-Carter State Bank	3,253	9,105	16,407	345	3,010	25,588	2,354	31,399
*Breckenridge--Farmers State Bank of Breckenridge	2,607	10,211	33,390	526	4,344	40,069	4,815	49,906
Brighton--The Brighton State Bank	34,201	17,181	73,348	930	16,563	99,714	8,796	129,410
Brighton--Michigan Bank-Livingston	5,656	1,500	39,971	407	12,735	38,936	3,572	56,012
*Brown City--Brown City Savings Bank	1,213	3,380	11,402	152	1,855	16,021	1,517	19,645
*Byron Center--Byron Center State Bank	3,430	19,418	37,825	501	6,694	47,335	7,300	62,466
Cadillac--NBD Cadillac Bank	18,752	26,467	131,897	1,369	14,753	157,897	11,973	187,220
Cadillac--Old Kent Bank of Cadillac	22,138	5,011	30,906	414	7,475	47,830	4,134	60,833
*Caledonia--State Bank of Caledonia	1,991	12,958	22,643	236	5,554	28,749	4,155	38,967
*Calumet--First of America Bank - Copper Country	4,281	19,532	29,221	385	5,466	45,196	4,174	55,508
*Capac--Capac State Savings Bank	2,195	13,645	31,812	558	3,222	45,838	5,235	55,135
Caro--The Peoples State Bank of Caro, Michigan	2,678	4,785	22,305	259	4,820	29,664	2,946	37,773
Caro--State Savings Bank of Caro	1,947	18,455	17,128	125	4,638	31,604	4,734	41,733
Carsonville--Exchange State Bank	937	13,314	18,601	142	2,451	32,395	3,314	38,726
*Cass City--The Cass City State Bank	1,580	4,314	13,534	135	2,300	17,248	1,541	21,246
*Cass City--Chemical Bank Cass City	1,060	10,082	10,124	89	2,585	19,425	2,015	24,529
Charlevoix--Charlevoix County State Bank	2,911	7,061	26,020	196	5,764	31,883	3,096	41,323
Charlevoix--First State Bank of Charlevoix	9,031	3,079	12,603	118	3,003	20,215	2,128	25,723
Charlotte--First of America Bank - Charlotte	468	9,297	9,745	117	3,483	15,739	1,607	21,196
*Cheboygan--First of America Bank - Straits Area	5,223	25,361	38,445	492	6,626	58,678	5,093	71,984
*Chelsea--Chelsea State Bank	5,203	33,516	29,698	224	5,891	59,415	7,896	74,900
*Clare--Chemical Bank Clare	7,301	49,964	48,586	1,003	9,417	89,520	8,933	110,394
Coldwater--Branch County Bank	6,816	22,251	59,226	550	13,882	73,915	7,911	98,398
*Coloma--The State Bank of Coloma	2,861	11,036	8,377	93	2,910	18,113	2,616	23,898
Coopersville--Manufacturers Bank of Coopersville	10,846	12,482	27,690	298	7,041	39,756	4,427	53,844
*Croswell--State Bank of Croswell	13,446	17,542	21,192	287	4,653	46,183	4,395	55,950
Curtis--Manistique Lakes Bank	545	5,174	4,237	35	878	8,725	860	10,617
*Dearborn--Dearborn Bank and Trust Company	11,176	70,350	108,034	900	34,685	152,320	13,460	205,984
Decatur--First State Bank of Decatur	1,316	4,235	9,356	109	2,096	12,307	1,590	16,281
Deckerville--Sanilac County Bank	4,131	7,201	22,635	215	4,041	31,082	2,728	38,297
Deerfield--First of America Bank - Deerfield	2,231	11,376	19,733	245	3,348	28,219	2,709	35,129
*Detroit--Comerica Bank - Detroit	1,231,250	1,124,532	4,278,894	43,328	1,016,741	4,495,513	369,581	7,175,235
Detroit--River Place Financial Corp.	996	3,554	6,135	---	8,012	960	2,384	12,068
Dowagiac--FMB - Community Bank	1,965	11,854	23,994	259	4,390	32,979	2,544	41,024
*Dundee--NBD Monroe County Bank	3,307	7,874	15,932	188	3,929	22,953	1,902	29,263
East Detroit--First State Bank of East Detroit	46,893	66,059	68,001	678	18,694	157,993	14,715	194,026

* Member Bank of the Federal Reserve System
** Includes Subordinated Notes and Debentures

STATE BANKS AS OF DECEMBER 31, 1984

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
East Jordan--Northwestern State Bank	6,192	44,828	26,670	229	5,691	70,506	8,526	85,733
East Lansing--East Lansing State Bank	10,143	32,005	84,651	970	24,182	105,287	10,510	146,559
*East Tawas--Michigan Bank-Huron	9,642	16,192	23,525	427	6,662	43,445	3,650	54,607
Escanaba--Northern Michigan Bank	5,202	16,876	23,237	227	5,865	37,262	3,353	47,876
Escanaba--State Bank of Escanaba	8,126	14,254	27,939	316	5,138	43,971	5,758	55,820
*Ewen--The State Bank of Ewen	667	6,967	8,699	97	2,638	11,638	2,324	16,846
Farwell--The Farwell State Savings Bank	1,111	10,837	17,794	121	2,848	24,659	3,390	31,215
Fenton--State Savings Bank of Fenton	8,462	32,611	57,782	692	12,989	80,614	7,432	103,648
*Flint--Citizens Commercial & Savings Bank	181,411	249,082	621,645	8,569	162,878	803,041	87,478	1,173,499
*Flint--Genesee Merchants Bank & Trust Co	46,603	334,496	585,924	5,151	115,020	688,065	68,341	999,674
Fowlerville--Community State Bank of Fowlerville	1,550	2,375	11,282	118	3,846	16,834	1,933	23,053
Frankenmuth--NewCentury Bank	30,625	73,306	231,957	2,278	31,425	287,298	22,789	352,416
Frankfort--State Savings Bank, Frankfort, Mich.	1,004	9,896	9,158	61	1,863	17,755	3,158	23,022
Fraser--The State Bank of Fraser	5,091	41,330	42,513	690	19,546	71,791	7,772	100,941
Freeland--Freeland State Bank	1,133	11,512	12,979	120	2,853	23,079	1,985	28,285
*Fremont--Old Kent Bank of Fremont	11,732	3,377	27,740	315	4,807	35,340	2,803	44,101
*Fremont--The Old State Bank of Fremont	3,958	6,751	30,095	660	6,310	35,693	2,633	44,896
*Gaylord--Old Kent Bank of Gaylord	27,686	5,373	61,329	712	10,970	77,651	6,667	97,402
Gladstone--Gladstone State Bank	4,142	5,121	13,857	94	2,476	21,715	2,200	26,693
Gladwin--First of America Bank - Mid Michigan	5,562	28,833	49,049	607	9,364	67,559	6,306	86,642
Grand Blanc--Pacesetter Bank-Southeast	16,986	9,808	21,332	246	14,043	34,211	3,780	52,579
Grand Haven--Old Kent Bank of Grand Haven	84,700	14,924	105,899	1,315	20,717	172,698	13,978	212,820
Grand Haven--The Peoples Bank and Trust Company	6,161	32,570	80,501	671	14,959	99,706	9,302	125,456
Grand Ledge--First of America Bank - Grand Ledge	403	5,976	7,614	126	2,121	12,142	1,059	15,635
Grand Rapids--FMB-First Michigan Bank-Grand Rapids	188	2,105	1,839	22	455	3,090	1,365	5,550
*Grand Rapids--Old Kent Bank and Trust Company	917,559	381,341	816,547	10,026	280,886	1,642,942	130,354	2,319,646
Grand Rapids--United Bank of Michigan	3,474	16,976	45,720	346	8,141	53,756	5,283	70,357
*Grant--The Grant State Bank	769	4,069	8,212	174	1,641	13,701	861	16,343
Grayling--Chemical Bank North	3,188	12,876	19,270	258	4,044	30,184	2,694	37,233
*Grayling--Grayling State Bank	5,695	8,859	17,846	326	3,780	29,143	2,476	35,930
*Greenville--Commercial State Savings Bank	7,645	6,445	31,882	357	5,112	39,376	4,374	51,204
Greenville--First State Bank of Greenville	2,474	26,522	26,525	284	6,641	46,129	5,617	60,146
Gwinn--The Gwinn State Savings Bank	705	2,407	12,354	125	1,108	14,589	1,318	17,275
Hale--Farmers and Merchants State Bank of Hale	3,069	17,694	33,077	350	6,016	48,184	3,756	58,534
Hamtramck--Bank of Commerce	21,177	238,741	77,713	630	46,473	284,298	25,675	366,139
*Hamtramck--Liberty State Bank & Trust	22,275	62,860	153,739	1,397	53,042	167,230	18,939	253,210
Hamtramck--Peoples State Bank	2,186	52,115	43,677	421	12,661	73,567	17,457	104,758
*Harbor Beach--First of America Bank - Huron	1,303	12,484	12,697	223	1,895	24,086	2,217	28,630
*Harbor Springs--Harbor Springs State Bank	8,726	5,228	13,365	140	3,622	22,021	2,609	28,636
Hart--FMB-Oceana Bank	1,846	22,442	19,821	210	4,475	42,065	3,699	50,952
Hartford--First of America Bank - Van Buren	2,213	12,190	19,034	178	4,639	28,892	2,611	36,537
Hastings--The Hastings City Bank	8,952	16,846	32,736	300	7,806	52,182	6,657	67,675
Hesperia--The State Bank of Hesperia	1,077	3,517	4,102	12	1,617	6,780	1,460	9,872
Highland Park--Automotive Financial Services, Inc.	25,046	---	---	---	2,004	21,800	1,565	25,299
Hillman--Hillman State Bank	2,989	2,163	7,081	100	1,729	10,780	1,018	13,678
*Hillsdale--Hillsdale State Savings Bank	26,785	7,182	42,255	556	8,565	64,740	5,756	80,432
Holland--Old Kent Bank of Holland	42,398	16,523	135,369	1,730	21,503	155,837	13,391	199,638
Honor--The Honor State Bank	1,550	9,800	15,097	96	2,765	22,884	2,283	28,236
Howard City--Western State Bank	4,002	4,041	20,209	181	3,420	25,702	1,839	31,109
Howell--NewCentury Bank-Metro West	11,563	26,858	47,205	482	9,536	71,423	6,617	89,656
Hudson--Hudson State Savings Bank	5,919	16,754	14,625	200	3,717	34,021	3,256	41,585
Hudson--Thompson Savings Bank	1,006	18,827	13,994	199	2,847	30,872	3,176	37,383
Hudsonville--Bank of Hudsonville	1,337	3,903	12,960	80	3,070	14,699	1,544	19,650
Imlay City--Imlay City State Bank	1,373	15,375	15,728	154	3,372	28,524	2,963	35,471
Ionia--First Security Bank	6,941	25,096	63,703	492	10,421	82,374	6,313	101,157
Iron River--The Miners' State Bank of Iron River	967	9,643	6,920	64	1,454	15,282	1,706	18,600
*Ishpeming--The Peninsula Bank	2,305	14,194	18,674	171	3,109	30,952	3,300	37,729
Jackson--Michigan Bank-Midwest	6,529	8,669	55,378	788	13,012	59,379	5,871	80,575
Kalamazoo--Comerica Bank - Kalamazoo	48,376	25,048	122,345	1,082	47,265	156,846	13,913	223,686
*Kalamazoo--Old Kent Bank of Kalamazoo	3,887	236	11,425	147	2,538	12,193	1,689	19,257
Kalkaska--NBD Northwest Bank	2,944	5,999	27,171	329	4,305	29,115	3,090	37,516
*Kent City--Kent City State Bank	2,123	7,506	26,011	259	4,592	30,993	2,846	38,886
*Kentwood--Old Kent Bank of Kentwood	16,511	1,831	2,618	67	2,890	13,990	1,522	21,984
Kingsford--Northern Michigan Bank of Kingsford	756	2,768	3,795	37	1,192	5,604	523	7,954
*Kingston--The Kingston State Bank	1,691	5,060	18,988	195	3,353	25,114	1,951	30,782

* Member Bank of the Federal Reserve System
** Includes Subordinated Notes and Debentures

STATE BANKS AS OF DECEMBER 31, 1984

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Lake City--Chemical Bank Lake City	5,857	18,591	23,459	318	7,244	40,214	3,710	51,554
Lake Odessa--Union Bank	2,030	9,196	17,942	400	4,068	24,545	3,011	32,171
*Lakeview--Bank of Lakeview	1,894	9,260	26,283	251	3,478	35,361	2,740	42,078
Lansing--Bank of Lansing	80,050	36,302	158,224	1,609	74,112	176,011	17,068	287,219
*Lansing--First of America Bank - Central	28,483	116,268	257,739	3,399	75,476	299,218	29,764	415,002
Lansing--NBD Commerce Bank.	10,461	18,776	43,717	375	19,191	49,143	4,504	81,143
*Lapeer--Lapeer County Bank & Trust Co.	5,211	29,050	66,479	631	13,783	84,691	7,105	109,367
*Leslie--The Peoples Bank of Leslie.	2,810	4,982	22,822	205	2,327	28,780	2,383	33,912
Lewiston--Lewiston State Bank	3,099	17,552	22,703	576	3,196	39,157	4,093	46,950
Litchfield--Michigan Bank-Mid South	4,879	10,308	37,942	392	6,270	47,202	3,875	58,798
*Livonia--Comerica Bank - Livonia.	83,040	7,278	20,526	214	11,356	100,901	7,391	122,887
*Livonia--Manufacturers Bank of Livonia	40,120	13,401	30,073	342	13,571	62,149	4,461	86,141
*Lowell--State Savings Bank	6,053	13,547	32,759	173	8,005	42,623	5,285	57,099
Ludington--Ludington Bank and Trust Company	3,725	14,315	24,720	254	6,181	34,680	3,336	44,657
Mancelona--Antrim County State Bank	1,584	6,580	13,255	133	2,620	20,200	2,088	25,176
*Manistee--Manistee Bank & Trust Co.	4,673	26,842	55,428	591	8,383	77,654	6,368	93,735
*Manistique--The State Savings Bank of Manistique.	3,893	20,648	10,640	102	4,053	28,486	2,893	37,436
*Marcellus--G. W. Jones Exchange Bank.	686	1,074	4,037	54	2,439	4,724	443	7,606
Marquette--Northern Michigan Bank of Marquette	808	2,029	6,085	60	1,530	7,791	877	10,366
Marshall--Chemical Bank Marshall	1,430	4,615	9,462	113	2,538	12,848	1,383	17,052
Mason--Mason State Bank	5,517	10,055	31,705	316	6,184	39,464	3,833	50,524
Mayville--Mayville State Bank	925	7,325	12,713	112	2,269	19,608	2,025	24,273
*Menominee--First of America Bank - Menominee	2,650	8,723	22,638	263	2,960	30,364	2,275	36,071
*Midland--Chemical Bank and Trust Company	26,955	136,888	177,225	2,031	35,041	289,594	29,898	370,125
Midland--Comerica Bank - Midland	25,133	9,367	68,694	645	14,160	85,775	7,220	111,144
Monroe (Frenchtown Twp.)--Erie State Bank	5,694	8,501	27,804	201	6,199	34,789	3,336	45,538
Monroe--Monroe Bank & Trust.	20,269	97,703	161,031	1,856	35,196	232,486	25,502	296,322
*Monroe--Security Bank of Monroe.	45,761	44,533	105,285	1,297	16,086	170,669	16,062	212,978
Montrose--The Montrose State Bank	1,133	6,895	14,361	138	2	22,921	2,287	25,404
Morley--The Morley State Bank	627	1,015	483	19	290	1,687	164	2,141
Mount Clemens--Mount Clemens Bank	20,175	51,008	136,600	1,226	36,291	168,908	15,313	223,129
*Mount Pleasant--Isabella Bank and Trust	7,584	27,695	80,452	847	19,395	103,332	8,943	133,483
*Mount Pleasant--NewCentury Bank-Mt. Pleasant	7,224	21,017	49,479	486	10,814	57,855	5,593	84,533
Munising--Peoples State Bank of Munising	803	3,022	13,589	118	2,376	14,514	1,342	18,408
Munith--Farmers State Bank of Munith.	825	4,825	8,335	91	1,237	13,448	1,615	16,300
Muskegon--First of America Bank - Muskegon.	11,509	51,704	156,150	2,003	23,834	179,818	15,171	225,891
Muskegon--FMB - Lumberman's Bank	18,244	49,218	105,151	936	22,611	124,618	11,319	180,188
Newaygo--First State Bank of Newaygo	3,020	2,613	11,203	107	1,950	14,969	1,108	18,181
New Baltimore--Citizens State Savings Bank	2,119	24,687	9,273	115	4,667	30,653	3,131	39,718
Newberry--The Newberry State Bank	1,365	13,978	11,623	74	3,204	23,904	2,666	30,006
Niles--Old Kent Bank-Southwest	70,748	23,223	143,824	1,787	33,529	188,603	17,227	248,081
*North Branch--Pioneer Bank	568	753	7,267	75	1,266	10,364	1,003	12,806
Novi--Manufacturers Bank of Novi	16,414	4,077	5,376	67	3,336	22,490	1,548	27,795
Novi--Security Bank Oakland County	10,425	6,442	15,729	188	6,711	26,178	2,525	35,918
Olivet--Independent Bank-South Michigan	2,367	2,773	4,137	45	1,668	7,658	974	10,412
*Onsted--The Onsted State Bank	1,805	5,333	7,594	102	2,409	13,640	1,119	17,509
*Ontonagon--The Citizens State Bank of Ontonagon	1,398	9,353	10,674	130	2,789	18,085	2,325	23,434
Oscoda--NewCentury Bank-AuSable	5,460	6,712	20,442	272	4,025	28,262	2,317	35,107
Owosso--Key State Bank	5,367	16,766	47,099	600	11,010	58,209	4,398	74,389
Owosso--Pacesetter Bank and Trust	36,894	42,690	143,789	1,895	24,084	176,329	16,169	229,266
Oxford--Oxford Savings Bank	6,802	26,693	32,749	429	8,115	57,101	4,396	71,101
*Petoskey--Old Kent Bank of Petoskey	22,712	7,247	56,320	658	10,632	69,790	6,408	89,319
Pontiac--Pontiac State Bank.	149,249	128,276	278,114	2,638	85,877	439,984	35,298	582,746
Portage--NBD Portage Bank	2,053	1,250	9,709	139	3,993	9,295	1,411	14,825
Port Austin--The Port Austin State Bank.	357	5,327	6,422	64	1,196	10,802	1,196	13,434
Port Hope--The State Bank of Port Hope.	1,033	5,865	6,987	130	1,190	13,065	1,237	15,686
*Port Huron--Michigan Bank - Port Huron.	42,440	43,688	223,486	1,772	37,523	234,613	21,706	324,012
Port Huron--Peoples Bank of Port Huron.	29,225	44,022	140,938	1,060	29,141	180,433	16,616	229,210
Portland--Maynard-Allen State Bank	3,267	14,279	24,577	148	6,312	37,591	5,126	49,560
Reed City--The Reed City State Bank	2,302	22,435	14,602	181	4,647	30,528	4,933	40,745
*Richmond--Macomb County Bank.	4,306	1,699	23,793	316	4,563	25,457	1,778	32,393
*Richmond--Security Bank of Richmond.	21,096	17,364	36,703	416	6,600	66,154	5,278	78,584
*River Rouge--River Rouge Savings Bank	4,200	3,377	10,066	150	6,454	11,043	1,244	19,308
Rockford--Independent Bank-West Michigan	1,904	1,684	9,509	114	2,676	11,022	1,083	15,197
Rogers City--Presque Isle Bank	2,389	16,380	17,581	109	3,162	31,916	2,902	38,321

* Member Bank of the Federal Reserve System
** Includes Subordinated Notes and Debentures

STATE BANKS AS OF DECEMBER 31, 1984

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
*Roscommon--NBD Roscommon Bank	11,944	25,956	91,307	435	12,598	114,083	9,336	138,347
Royal Oak--First of America Bank - Wayne Oakland	22,446	214,063	306,118	3,754	85,598	411,882	38,671	565,164
Rudyard--First of America Bank-Rudyard	597	3,587	8,357	87	1,545	11,704	1,040	14,353
Ruth--Ruth State Bank	397	12,421	8,990	335	1,354	19,381	2,843	23,875
Saginaw--NBD Saginaw	12,637	20,638	87,911	1,004	25,974	93,201	7,244	130,265
St. Charles--Community State Bank of St. Charles	3,142	12,025	25,730	300	2,459	39,394	3,519	46,087
St. Clair--The Commercial and Savings Bank of St. Clair County	4,787	43,207	76,381	863	12,583	106,249	13,369	134,236
St. Clair Shores--Manufacturers Bank of The Shores	28,315	10,779	16,490	204	8,190	45,807	2,902	57,861
*St. Clair Shores--Security Bank St. Clair Shores	26,564	15,295	30,019	500	14,237	55,619	5,529	76,194
St. Johns--Clinton Bank and Trust Company	6,865	49,557	66,826	713	18,563	104,920	8,756	135,744
St. Joseph--The Peoples State Bank of St. Joseph	14,516	27,284	72,169	636	16,723	98,552	8,844	128,112
Saline--Manufacturers Bank of Saline	37,235	13,876	45,668	478	10,900	81,810	5,385	101,730
Sandusky--NBD Sandusky Bank	8,154	22,673	72,269	1,072	10,151	92,933	6,257	110,935
*Sault Ste. Marie--Central Savings Bank	1,603	7,360	29,160	292	6,327	35,082	3,484	45,654
Sault Ste. Marie--Sault Savings Bank	2,180	29,173	44,707	388	7,638	64,266	6,578	80,219
Schoolcraft--Kalamazoo County State Bank	2,253	7,953	21,621	207	5,098	26,553	2,343	34,398
Scottville--State Savings Bank of Scottville	2,964	14,268	29,918	192	6,014	40,982	4,916	52,439
*Sebewaing--First of America Bank - Bay Area	3,136	11,935	16,822	248	3,410	28,735	2,291	35,039
Shelby--The Shelby State Bank	1,898	16,252	29,701	280	4,877	41,533	4,329	51,191
Shepherd--Comerica Bank - Central	8,214	1,552	14,477	156	2,772	21,181	1,783	26,089
Sidney--Sidney State Bank	441	7,995	12,347	62	2,471	17,512	2,260	22,602
*Southfield--Comerica Bank - Southfield	128,628	25,531	22,642	272	36,337	141,186	12,412	193,967
Southfield--Fidelity Bank of Southfield	6,874	6,425	2,873	55	9,939	10,937	1,860	23,054
*Southgate--Security Bank and Trust Company	220,594	108,994	588,885	6,857	100,627	738,445	64,640	942,744
*South Haven--Citizens Trust and Savings Bank	14,055	19,891	85,796	1,127	15,446	101,218	9,844	128,841
South Lyon--The State Savings Bank of South Lyon	3,881	4,558	21,748	261	6,859	27,122	2,550	36,829
South Range--South Range State Bank	2,086	5,099	13,438	205	2,627	17,974	1,390	22,251
*Sparta--Sparta State Bank	3,382	24,982	31,810	237	7,211	50,833	5,712	64,339
Stambaugh--First of America Bank - Iron County	684	4,988	14,402	180	1,352	17,755	1,422	20,780
Standish--State Bank of Standish	3,132	30,716	49,965	664	6,185	78,192	7,947	93,226
Stanton--Chemical Bank Montcalm	4,935	26,976	30,545	513	6,980	53,686	6,149	67,888
Stephenson--Bank of Stephenson	2,153	22,660	18,740	200	3,564	36,323	4,574	45,086
Stockbridge--Stockbridge State Bank	1,251	11,661	10,579	112	5,703	20,834	2,632	29,611
*Sturgis--The Citizens State Bank	7,163	46,412	45,396	581	14,535	81,648	9,593	107,976
Tecumseh--United Savings Bank of Tecumseh	10,695	37,116	66,180	630	15,359	96,925	9,460	125,452
Three Oaks--The Bank of Three Oaks	2,276	8,061	37,570	501	7,193	37,032	3,406	51,519
Traverse City--Old Kent Bank-Grand Traverse	78,549	25,031	194,701	2,555	45,353	220,814	18,502	308,665
Trenary--Trenary State Bank	340	3,136	6,306	63	1,198	9,322	866	11,651
Trenton--Old Kent Bank-Southeast	95,471	25,120	98,650	1,270	27,996	180,518	16,670	230,171
Trenton--Trenton Bank and Trust Company	4,778	34,977	64,930	361	11,926	95,171	7,780	117,077
*Troy--Comerica Bank - Troy	109,609	10,991	29,647	263	29,794	116,426	9,996	168,331
Troy--Fidelity Bank of Troy	2,029	841	1,571	20	1,695	2,559	1,013	5,327
Troy--First of America Bank - Troy	3,102	15,754	23,083	304	13,810	29,425	3,390	50,486
*Troy--Liberty Bank - Oakland	10,888	15,790	21,280	226	13,652	34,371	2,650	52,916
Unionville--American Home Bank	5,005	5,543	23,130	234	3,634	29,325	2,136	35,383
*Warren--Warren Bank	10,952	132,879	42,461	753	22,395	162,978	16,710	211,949
*Wayne--Wayne Bank	5,902	20,084	37,592	363	12,463	49,933	5,969	73,591
*West Branch--NewCentury Bank-West Branch	6,489	10,043	45,318	334	5,873	51,965	4,716	68,720
White Cloud--The First State Bank, White Cloud, Michigan	1,731	2,163	17,896	133	2,171	21,195	2,460	26,021
*Williamston--Peoples State Bank	5,029	9,332	23,605	230	5,444	32,931	2,837	41,651
*Wyandotte--Wyandotte Savings Bank	68,116	105,128	132,163	837	32,086	256,655	26,793	320,636
*Ypsilanti--Ypsilanti Savings Bank	5,546	20,567	76,236	760	6,728	94,671	7,418	119,245
Zeeland--FMB-First Michigan Bank	24,437	98,687	201,801	2,412	50,561	256,028	22,928	352,313

* Member Bank of the Federal Reserve System
** Includes Subordinated Notes and Debentures

NATIONAL BANKS AS OF DECEMBER 31, 1984

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Allegan--The American National Bank in Western Michigan	2,026	3,333	27,517	418	6,820	27,561	2,849	38,070
Alma--Commercial National Bank	5,478	15,469	77,810	717	14,332	80,385	9,148	108,170
Ann Arbor--Comerica Bank - Ann Arbor, N.A.	30,592	16,172	97,274	711	33,317	117,077	10,071	169,474
Ann Arbor--Michigan National Bank-Ann Arbor	5,409	9,364	43,377	386	10,783	44,912	3,967	63,404
Ann Arbor--NBD Ann Arbor, N.A.	29,026	66,944	170,326	1,987	55,885	198,657	16,578	275,359
Bad Axe--First National Bank of Bad Axe	12,244	6,194	42,334	430	7,701	53,843	4,223	66,361
Battle Creek--The American National Bank in Battle Creek	1,069	4,404	23,100	333	8,051	22,945	2,370	33,762
Bay City--NewCentury Bank-Bay City, N.A.	49,687	80,613	232,686	2,421	35,545	290,635	26,975	377,573
Bay City--Second National Bank of Bay City	7,184	6,147	38,636	359	9,639	44,087	3,076	59,683
Benton Harbor--NBD F & M Bank, N.A.	14,409	27,982	141,109	1,336	28,387	143,977	11,355	190,052
Bessemer--The Bessemer National Bank	1,058	15,754	5,544	61	2,710	16,378	3,839	23,230
Big Rapids--First National Bank and Trust	2,934	19,896	23,197	263	7,909	45,585	4,303	59,311
Calumet--First National Bank of Calumet-Lake Linden	2,330	9,259	8,386	101	2,416	16,085	1,537	20,407
Cassopolis--Michigan National Bank-Michiana	16,499	8,190	110,708	1,513	19,398	111,791	8,445	145,913
Cheboygan--Citizens National Bank of Cheboygan	4,759	19,626	58,168	500	11,415	76,624	6,975	96,413
Coldwater--Southern Michigan National Bank	5,860	29,030	66,899	694	14,152	82,397	8,761	106,563
Crystal Falls--First National Bank of Crystal Falls	11,016	6,551	19,572	100	3,228	32,734	2,772	39,189
Dearborn--Michigan National Bank-South Metro	6,718	20,579	149,605	1,218	29,156	185,764	15,548	239,143
Dearborn--NBD Dearborn Bank, N.A.	4,472	17,293	28,163	288	15,943	31,632	4,823	53,222
Detroit--First Independence National Bank of Detroit	11,623	25,113	17,198	419	20,732	31,908	3,743	61,232
Detroit--First of America Bank - Detroit, N.A.	103,094	128,014	650,909	10,080	196,944	623,847	52,557	937,690
Detroit--Manufacturers National Bank of Detroit	1,056,948	680,067	3,233,422	34,897	1,007,981	3,494,362	282,899	5,536,551
Detroit--Michigan National Bank of Detroit	135,559	247,860	1,265,086	13,310	328,943	1,091,701	109,743	1,792,331
Detroit--National Bank of Detroit	2,053,858	2,619,487	6,352,030	69,828	2,188,123	5,903,407	801,536	11,867,461
East Lansing--First National Bank of Michigan	7,452	7,461	31,707	435	5,898	36,598	3,674	48,823
Escanaba--First National Bank and Trust Company	5,907	10,503	66,742	738	10,391	71,228	7,088	90,967
Evart--NBD Evart Bank, N.A.	2,768	7,584	20,812	162	2,556	26,665	2,161	32,619
Farmington Hills--Metropolitan National Bank of Farmington	16,044	2,540	15,713	286	9,231	24,627	2,363	36,457
Farmington Hills--Michigan National Bank-Farmington	4,581	6,043	31,771	233	8,504	36,380	3,232	49,218
Fenton--First National Bank of Fenton	6,394	23,400	38,334	372	5,557	60,534	4,566	72,232
Flint--Michigan National Bank-Mid Michigan	33,764	44,886	223,320	1,633	38,508	237,144	21,513	320,306
Frankfort--Benzie National Bank	1,222	1,034	4,430	11	648	6,629	838	8,150
Gaylord--First National Bank of Gaylord	2,214	5,124	13,392	96	2,210	18,907	1,628	23,033
Gladstone--First National Bank in Gladstone	1,169	6,755	11,838	118	1,991	19,025	1,694	22,909
Grand Rapids--First of America Bank - Grand Rapids, N.A.	3,447	6,696	20,780	251	7,606	23,479	2,378	34,727
Grand Rapids--Union Bank and Trust Company, N.A.	108,639	182,069	391,055	3,301	141,291	518,700	50,988	747,069
Grandville--NBD Grand Valley Bank, N.A.	6,947	13,982	64,558	710	18,652	63,624	4,809	89,184
Grosse Pointe--Comerica Bank - Grosse Pointe, N.A.	25,993	571	1,667	46	2,989	32,619	2,447	38,759
Hancock--The Superior National Bank and Trust Company of Hancock	7,108	14,136	35,597	325	11,175	43,607	4,646	60,033
Hastings--National Bank of Hastings	3,642	8,652	10,269	139	6,515	14,252	2,687	23,676
Hermansville--The First National Bank of Hermansville	1,352	2,611	12,203	127	1,870	14,885	1,344	18,296
Hillsdale--Hillsdale County National Bank	4,053	25,947	47,255	506	10,449	64,454	7,615	83,301
Holland--First of America Bank - Holland, N.A.	6,367	29,196	61,346	735	10,986	77,753	7,162	100,394
Houghton--Houghton National Bank	9,981	6,302	23,174	186	7,171	30,646	4,018	42,167
Howell--First National Bank in Howell	4,476	22,309	36,318	465	11,520	50,672	5,082	67,895
Ionia--The Ionia County National Bank of Ionia	3,163	21,205	45,267	410	7,426	60,855	5,473	75,018
Iron Mountain--Commercial National Bank & Trust Co.	3,614	14,417	33,987	176	10,331	44,198	6,093	61,958
Iron Mountain--The First National Bank of Iron Mountain	5,794	21,966	37,990	270	13,238	53,582	6,488	75,208
Iron River--The Iron River National Bank	3,286	6,416	20,790	210	3,598	29,392	2,137	35,462
Ironwood--First National Bank of Ironwood	4,279	13,429	36,000	391	4,753	49,841	3,970	59,463
Ironwood--First of America Bank - Gogebic, N.A.	3,535	16,743	25,425	320	4,096	39,605	3,569	48,128
Ishpeming--The Miners' First National Bank & Trust Company of Ishpeming	4,478	11,292	38,702	412	5,651	47,449	5,511	59,640
Jackson--City Bank and Trust Company, N.A.	20,056	183,809	108,886	1,825	50,424	238,480	30,428	324,899
Jackson--Comerica Bank - Jackson, N.A.	84,082	74,697	133,965	1,450	49,754	236,265	24,976	328,514
Kalamazoo--The American National Bank and Trust Company of Michigan	42,020	90,448	247,656	3,269	66,954	275,978	24,718	415,020

**Includes Subordinated Notes and Debentures

NATIONAL BANKS AS OF DECEMBER 31, 1984

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Kalamazoo--First of America Bank - Michigan, N.A.	51,474	204,616	445,589	5,262	120,746	494,493	50,731	759,098
Kalamazoo--Michigan National Bank-West	6,102	3,847	50,913	641	10,349	52,685	4,724	71,378
Kentwood--Comerica Bank - Kentwood, N.A.	27,773	2,324	16,183	199	8,823	39,991	2,845	53,623
L'Anse--Commercial National Bank of L'Anse	8,034	8,630	12,600	120	3,669	23,728	2,491	30,290
Lansing--Capitol National Bank	9,231	2,697	9,512	21	3,485	19,371	1,343	24,429
Lansing--Michigan National Bank	123,335	168,757	1,164,795	32,504	286,653	1,095,817	80,394	1,595,824
Lansing--Old Kent Bank of Lansing, N.A.	12,508	645	12,725	193	7,342	21,766	1,616	31,009
Lapeer--NewCentury Bank-Lapeer, N.A.	9,213	18,687	81,109	1,485	13,420	89,164	7,819	118,670
Livonia--Michigan National Bank-West Metro	30,897	52,301	207,331	1,737	53,169	233,994	22,792	331,378
Ludington--First of America Bank - Ludington, N.A.	3,472	14,739	34,094	393	6,474	41,339	3,895	54,271
Madison Heights--The Madison National Bank	7,736	9,675	24,433	412	8,256	30,596	3,686	44,093
Manistee--Security National Bank of Manistee	11,710	21,223	45,762	458	8,867	69,554	7,611	86,854
Manistique--The First National Bank at Manistique	1,943	11,215	20,400	185	3,793	28,208	3,411	36,013
Marquette--The First National Bank & Trust Company of Marquette	12,019	9,028	118,685	1,124	19,653	119,874	12,875	155,508
Marquette--First of America Bank - Marquette, N.A.	3,990	10,539	36,703	483	8,722	40,067	3,532	54,959
Mason--The Dart National Bank of Mason	6,260	33,018	36,499	380	12,710	60,660	4,751	79,228
Menominee--First National Bank and Trust of Menominee	6,602	15,655	34,594	415	9,992	49,760	4,023	64,453
Midland--Michigan National Bank-Midland	2,198	5,270	11,903	119	1,932	20,154	1,601	24,774
Mount Clemens--First National Bank in Mount Clemens	12,616	80,462	102,810	1,270	40,653	157,834	15,093	216,896
Munising--First of America Bank - Alger, N.A.	970	6,047	10,444	129	1,696	15,441	1,422	18,826
Muskegon--Comerica Bank - Hackley, N.A.	131,527	40,700	116,123	1,439	34,830	245,960	19,343	309,916
Negaunee--The First National Bank of Negaunee	4,237	22,254	20,268	148	4,863	42,254	4,422	52,047
Niles--The American Bank of Niles, N.A.	815	6,746	11,861	122	2,730	17,212	1,489	21,968
Norway--The First National Bank of Norway	1,428	13,266	13,423	100	3,538	23,259	2,832	30,040
Novi--Comerica Bank - Metro West, N.A.	25,730	2,793	6,674	40	6,925	37,180	2,785	51,991
Novi--Michigan National Bank-West Oakland	8,349	3,137	61,163	491	14,918	61,405	5,302	84,365
Ontonagon--The First National Bank in Ontonagon	2,992	3,203	8,978	62	1,292	13,419	1,211	16,165
Petoskey--First National Bank and Trust Company	11,127	39,849	55,520	500	14,950	87,611	8,639	112,918
Petoskey--Michigan National Bank-North	1,288	2,259	20,226	137	1,910	19,891	1,695	24,706
Pigeon--Thumb National Bank and Trust Company	2,549	14,252	47,919	157	4,494	59,120	4,296	68,866
Plymouth--First of America Bank - Plymouth, N.A.	8,245	15,891	23,628	282	18,679	36,274	3,424	59,120
Pontiac--Community National Bank of Pontiac	47,635	231,898	266,507	3,100	84,358	397,921	37,636	579,385
Portage--The American National Bank in Portage	1,580	5,835	14,639	176	4,767	17,420	1,876	24,571
Port Huron--NBD Port Huron Bank, N.A.	976	2,085	17,882	217	2,186	18,827	1,751	23,120
Quincy--First of America Bank - South Central, N.A.	4,001	15,231	31,808	457	6,514	45,309	3,830	56,644
Rochester--First of America Bank - Rochester, N.A.	6,848	13,605	32,326	391	14,921	35,819	4,037	55,487
Rogers City--Huron National Bank	1,192	2,237	9,038	108	2,874	10,449	871	14,276
Royal Oak--National Bank of Royal Oak	6,567	21,781	42,613	386	13,397	57,806	5,218	77,892
Saginaw--Michigan National Bank-Valley	21,826	28,419	94,335	857	18,028	121,235	11,291	156,486
Saginaw--Second National Bank of Saginaw	105,551	106,769	328,791	4,070	71,992	423,489	41,584	561,612
St. Ignace--The First National Bank of St. Ignace	1,865	16,137	25,580	226	6,311	37,452	4,292	48,863
St. Johns--Central National Bank of St. Johns	3,269	29,432	28,377	219	7,238	54,311	5,543	69,526
Sault Ste. Marie--First of America Bank - Sault Ste. Marie, N.A.	3,509	9,291	20,292	246	4,235	29,762	2,836	37,403
Southfield--Manufacturers Bank of Southfield, N.A.	104,349	25,350	55,229	668	39,101	122,311	11,058	190,830
Southfield--Michigan National Bank-Oakland	58,341	33,715	355,852	2,500	103,668	315,297	32,681	464,501
South Haven--The American National Bank-West	1,047	8,710	20,165	263	3,829	25,499	2,283	31,957
Sterling Heights--Comerica Bank - Metro East, N.A.	83,687	16,177	7,623	84	13,789	94,833	7,592	119,748
Sterling Heights--Michigan National Bank-Sterling	9,218	2,042	52,159	370	8,782	55,605	4,527	71,318
Sturgis--First National Bank & Trust Company	16,138	20,524	38,251	315	9,558	57,975	5,504	79,142
Taylor--National Bank Wyandotte-Taylor	16,191	28,727	66,976	601	16,224	94,599	8,566	123,785
Three Rivers--The American Bank of Three Rivers, N.A.	1,056	6,063	18,969	221	3,016	22,193	2,092	27,870
Three Rivers--The First National Bank of Three Rivers	3,181	34,181	26,336	150	9,128	50,560	4,976	66,934
Traverse City--The Empire National Bank of Traverse City	20,684	25,857	108,103	1,150	25,213	126,864	11,731	167,794
Traverse City--Michigan National Bank - Grand Traverse	7,617	4,471	43,960	351	7,849	45,712	4,047	59,419
Traverse City--NBD Northwest Bank, N.A.	5,611	27,219	38,750	245	8,981	64,860	7,345	81,770
Troy--Michigan National Bank-North Metro	27,415	22,356	284,298	2,531	78,076	249,419	23,953	369,149
Troy--NBD Troy Bank, N.A.	3,294	16,807	28,301	378	14,304	32,749	3,977	51,992
Wakefield--The First National Bank of Wakefield	1,059	9,830	8,526	100	2,110	16,645	1,564	20,621
Walker--FMB - First Michigan Bank - Metro, N.A.	5,248	5,379	35,240	627	7,824	35,369	2,554	48,698

**Includes Subordinated Notes and Debentures

NATIONAL BANKS AS OF DECEMBER 31, 1984

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Warren--Comerica Bank - Warren, N.A.	199,987	23,267	44,196	1,218	30,134	232,812	17,483	290,224
Warren--Michigan National Bank of Macomb.	15,757	13,472	138,695	984	36,124	146,104	12,048	201,064
West Branch--Comerica Bank - West Branch, N.A. . .	7,584	530	3,360	25	1,439	9,481	857	11,972
Wyoming--Michigan National Bank - Central	33,890	18,459	251,869	1,845	53,364	233,074	20,749	321,933
Ypsilanti--The National Bank of Ypsilanti.	9,199	22,260	38,285	300	13,178	64,686	6,121	85,500

**Includes Subordinated Notes and Debentures

SAFE AND COLLATERAL DEPOSIT COMPANIES AS OF DECEMBER 31, 1984

Name and Location	Cash on Hand	Due from Banks	Other Assets	Total Assets	Capital Stock	Surplus and Undivided Profits	Other Liabilities	Total Liabilities
The Depository 30900 Telegraph at Thirteen Mile Birmingham, Michigan	$ 13,234	$ ---	$ 408,109	$ 421,343	$100,000	$(517,036)	$ 838,379	$ 421,343
First State Safe Deposit Company 22556 Gratiot East Detroit, Michigan	107,266	---	---	107,266	100,000	7,266	---	107,266
Manubank Safe Deposit Corporation Manufacturers Bank Tower Renaissance Center Detroit, Michigan	405	3,681	656,092	660,178	100,000	551,130	9,048	660,178
Safe Deposit Company of Michigan 611 Woodward Avenue Detroit, Michigan	205	32,641	1,526,379	1,559,225	100,000	220,622	1,238,603	1,559,225

CREDIT UNION DIVISION

The Credit Union Division regulates and supervises state-chartered credit unions under the authority of Act 285 of the Public Acts of 1925, as amended (the Credit Union Act). Credit unions are cooperative societies incorporated for the purpose of promoting thrift and creating a source of credit for their members. All Michigan credit union member share and deposit accounts, with the exception of Central Credit Union of Michigan, are insured to $100,000.00 by the National Credit Union Administration (NCUA), an agency of the United States Government.

Supervision and Examination

The major regulatory function of the division is to insure that all state-chartered credit unions are operating in compliance with state and federal law and are in a financially safe and sound condition. Examinations are the primary means by which the division monitors the operations and financial condition of these institutions. Review of a credit union's compliance with various state and federal consumer protection statutes is a part of each examination. Other responsibilities of the division include the close supervision of problem credit unions, investigating applications for new charters, processing credit union mergers and dissolutions, and responding to consumers' complaints and inquiries involving credit unions.

During 1984, the division examined 516 credit unions. This represented 100% of Michigan state-chartered credit unions and was the first year all credit unions were examined since 1975. This is compared to 426 examinations performed in 1983 (82% of total credit unions) and 382 examinations performed in 1982 (72% of total credit unions). The increased number of examinations performed was, in part, the result of changes in examination procedures which included better coordination with the credit union's supervisory committee and the credit union's outside auditors. This permitted division examiners to adjust the scope of the examination and focus on areas of a credit union's operation which were found to be outside normal operating levels. The division also conducted 133 on-site follow-up contacts in credit unions where problems were detected during the regular examination.

Problem Institutions

For the second year in a row, the number of problem institutions decreased. This continues the trend established in 1983. Problem institutions totaled 86 at year-end 1984 compared to 99 at year-end 1983, a reduction of 13%. Problem credit unions represent 17% of the total credit unions compared to 19% at year-end 1983 and their assets represent 7% of the total assets of state-chartered credit unions. Earnings continues to be the number one problem, but the 37 credit unions that suffered losses after dividends and reserve transfers in 1984 is a significant decrease from the 93 credit unions which sustained losses in 1983. The table below provides information pertaining to problem credit unions over the last five years.

	Total Credit Unions Supervised	Problems Removed	Problems Identified	Current Problems
1980	572	15	37	80
1981	560	15	78	143
1982	531	24	17	136*
1983	516	47	10	99
1984	500	66	53	86

*Figures reflect implementation of CAMEL rating system; code 3, 4 and 5 credit unions

Legislation and Regulation

On April 17,1984 the Governor approved House Bill 4453 (Public Act No. 93) to permit credit unions to enter into contracts with other credit unions and to provide certain services for each others' members.

Senate Bill 809 (Public Act No. 271) was enacted into law on December 18, 1984 to provide for the organization of corporate central credit unions whose fields of membership consist primarily of other credit unions. The legislation gives corporate central credit unions specific powers to serve the needs of other credit unions in such areas as providing liquidity and acting as a depository for funds which are not loaned to the credit union's members.

Legislation was introduced, but not enacted, during 1984 that would have recodified the Michigan Credit Union Act. This important legislation would have provided Michigan's state-chartered credit unions the power to keep pace with the rapidly changing financial marketplace and also would have provided the Bureau with additional regulatory powers in order to ensure credit unions operated in a safe and sound manner. The bill was re-introduced in 1985 as House Bill 4044.

At the federal level, legislation was enacted that would recapitalize the National Credit Union Share Insurance Fund (NCUSIF). This insurance fund is administered by the National Credit Union Administration Board and insures each credit union member's account up to $100,000.00. Through 1984, credit unions have paid 1/12 of 1% of their shares and deposits annually as a premium for obtaining this insurance, and for the past two years have been assessed an additional special premium of 1/12 of 1% in order to adequately maintain that insurance fund. On January 21, 1985, each of Michigan's insured state-chartered credit unions was required to place 1% of their insured savings with the NCUSIF in lieu of payment of a premium. It is estimated that the income from this deposit will be sufficient to fund all of the NCUSIF operating costs, thereby allowing the National Credit Union Administration Board to waive any future premiums.

During 1984, four policy bulletins were sent to all state-chartered credit unions. One bulletin pertained to maximum amounts and types of reimbursement a credit union may receive for making available to its membership various insurance programs. A second bulletin clarified Bureau policy regarding making third party services (including endorsements) available to a credit union's membership. A third bulletin clarified Bureau policy that all credit unions must maintain their financial records in conformity with generally accepted accounting principles. The final bulletin defined the minimum audit steps which must be performed when completing a credit union's annual comprehensive audit.

Mergers and Dissolutions

Credit union mergers declined in 1984 for the second consecutive year. Twenty-six credit unions (including 11 federally-chartered) merged into other credit unions during 1984. This compares with 32 credit union mergers consummated in 1983 and 41 mergers in 1982. Although deteriorating financial condition caused some mergers, the majority of the mergers were effected to improve services to the credit unions' memberships. All of the credit unions that merged had National Credit Union Administration (NCUA) insurance of accounts. Also, in some cases, NCUA guarantees protected the continuing credit union against possible losses resulting from a merger with a problem credit union.

One credit union (approximately $200,000 in assets) was declared insolvent and placed into involuntary dissolution during 1984. Subsequently, the majority of the assets were purchased, and the liabilities and savings were assumed, by another larger credit union with no disruption of service to the members or creditors of the merging credit union.

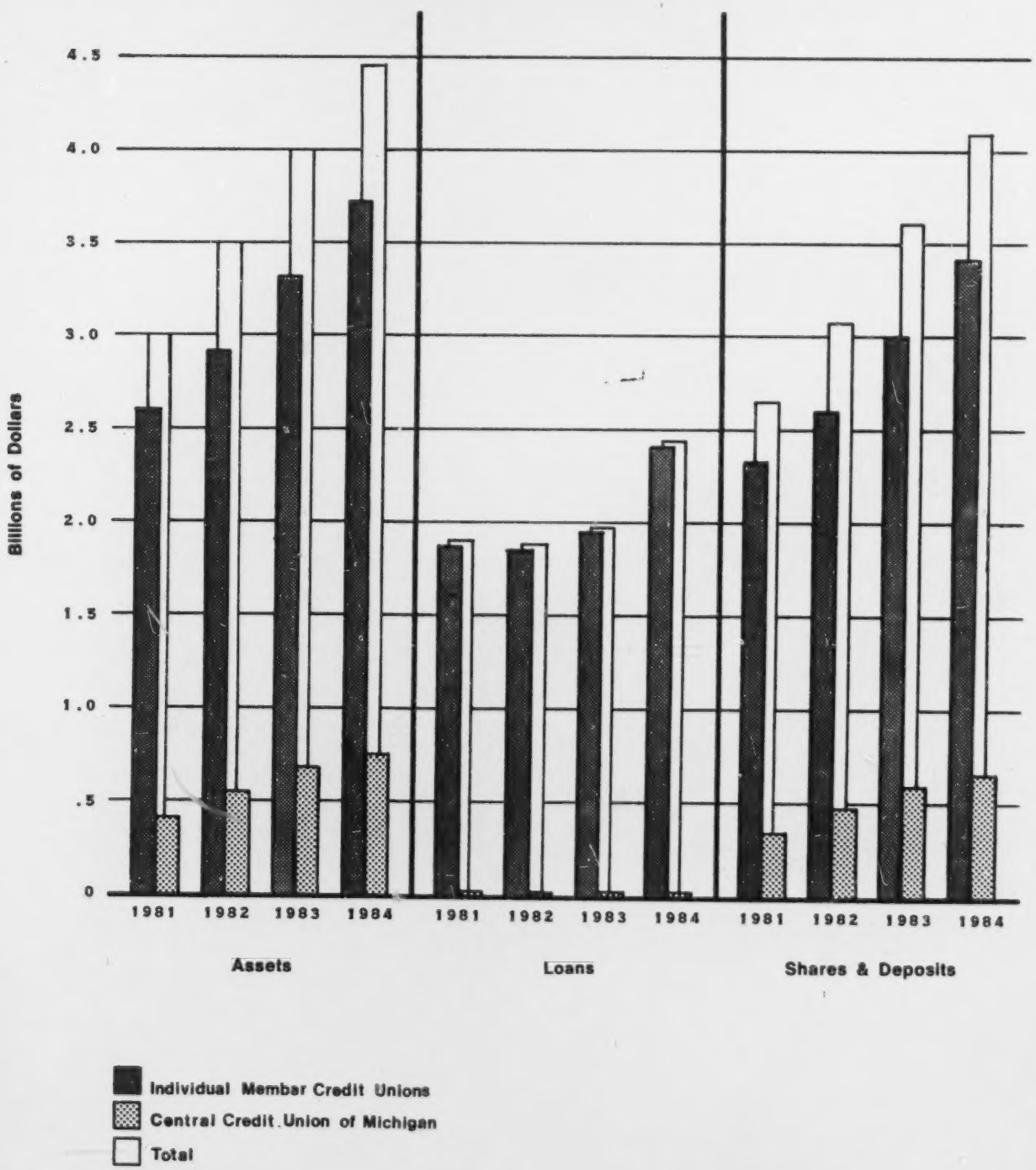
Industry Trends

Savings in state-chartered credit unions continue to increase at a rapid pace. Total savings in state-chartered credit unions (excluding Central Credit Union) increased

$376.6 million or 12.5% during 1984 to a record high of $3.36 billion. The continued improvement in the State's economy was a major reason for the increase of $428.8 million or 22% in member loans. Total assets increased $419.7 million or 12.6% to $3.72 billion. Net income, after the cost of funds and statutory reserve transfers, increased from $16.6 million in 1983 to $29.1 million in 1984. Loan delinquency (defined as loans delinquent two or more months) declined from 2.7% of total loans at year-end 1983 to 2.2% of total loans at year-end 1984.

These statistics point out that Michigan's state-chartered credit unions had a very strong year during 1984. Although the number of credit unions continues to decline (500 at year end 1984, compared to 572 at year end 1980), members' savings and assets continue to increase. A major reason for this growth is that many credit unions have expanded their fields of membership. Traditionally, credit unions only could serve a single occupational or associational group or a small community of individuals. Recent years have seen relaxation of this limitation. Now credit unions may serve multiple employer groups and larger communities, diversifying their fields of membership and making credit union services available to more residents of the State.

COMPARATIVE CHART OF ASSETS, LOANS AND SHARES OF STATE CREDIT UNIONS IN MICHIGAN



CONSOLIDATED BALANCE SHEET OF STATE CREDIT UNIONS

(Excludes Central Credit Union of Michigan)

(000's Omitted)

	515 Credit Unions December 31, 1983	499 Credit Unions December 31, 1984	Percent Increase (Decrease)
ASSETS			
Loans			
Personal loans	$1,864,158*	$2,271,747*	21.9%
Loans to officials	22,643	26,952	19.0
Real estate loans	64,803	66,454	2.5
Investments			
U.S. Government obligations and Federal agency securities	180,127	175,882	(2.4)
Corporate central credit unions	466,574	491,030	5.2
Other credit unions	6,416	3,332	(48.1)
Commercial banks	355,314	315,086	(11.3)
Savings and loan associations and savings banks	63,146	61,827	(2.1)
Other investments	95,980	104,841	9.2
Cash and funds due from banks	80,181	89,343	11.4
Net fixed assets	81,492	84,863	4.1
Other assets	28,389	37,639	32.6
Total Assets	$3,309,223	$3,728,996	12.7
LIABILITIES AND EQUITY			
Liabilities			
Notes payable	$ 29,478	$ 18,340	(37.8%)
Other liabilities	68,631	93,972	36.9
Savings			
Share and deposit certificates	231,183	304,691	31.8
Share and deposit drafts	212,064	260,385	22.8
IRA/Keogh and retirement accounts	148,604	266,460	79.3
Regular shares, deposits, other	2,393,650	2,529,606	5.7
Equity			
Regular/statutory reserves	115,120	120,151	4.4
Investment valuation reserve	5,217	6,362	21.9
Other reserves	41,385	45,995	11.1
Undivided earnings	63,891	83,034	30.0
Total Liabilities and Equity	$3,309,223	$3,728,996	12.7

*Loans stated net of "allowance for loan losses"

CONSOLIDATED STATEMENT OF OPERATIONS OF STATE CREDIT UNIONS

(Excludes Central Credit Union of Michigan)

(000's Omitted)

	1983	1984	Percent Increase (Decrease)
Operating income			
Interest on loans	$265,378	$307,688	15.9%
Less: interest refunds	(5,618)	(6,636)	18.1
Income from investments	102,048	126,469	23.9
Other operating income	6,798	11,104	63.3
Gross Income	368,606	438,625	19.0
Cost of funds			
Dividends	141,300	142,773	1.0
Interest on deposits	60,972	98,299	61.2
Interest on borrowings	2,796	3,301	18.1
Total Interest/Dividend Expense	205,068	244,373	19.2
Gross Earnings	163,538	194,252	18.8
Operating expense			
Employee compensation	48,006	51,803	7.9
Employee benefits	11,085	12,452	12.3
Cost of space	8,811	10,041	14.0
Office operations expense	21,830	23,504	7.7
Professional and outside services	9,714	10,701	10.2
Examination and supervision fees	1,157	1,446	25.0
Other operating expense	27,524	29,143	5.9
Total Operating Expense	128,127	139,090	8.6
Net Operating Income	35,411	55,162	55.8
Non-operating gains or losses (net)	253	633	150.2
Net Earnings	35,664	55,795	56.4
Required reserve allocation	18,999	26,734	40.7
Retained Earnings	$ 16,665	$ 29,061	74.4

CENTRAL CREDIT UNION OF MICHIGAN
Southfield, Michigan

(000's Omitted)

BALANCE SHEET	December 31, 1983	December 31, 1984
ASSETS		
Loans		
Corporate member loans	$ 6,965	$ 12,060
Other loans	9,994	7,861
Investments		
U.S. Government obligations and Federal agency securities	72,669	80,957
U.S. Central Credit Union	554,496	615,190
Other investments	4,442	4,337
Cash and funds due from banks	6,348	13,323
Net fixed assets	92	149
Other assets	5,773	8,006
Total Assets	$660,779	$741,883
LIABILITIES AND EQUITY		
Liabilities		
Notes payable	$ 51,153	$ 74,430
Other liabilities	5,729	7,413
Savings		
Certificates	192,961	238,374
Daily shares	324,818	327,271
Corporate shares	5,351	642
Capital shares	65,454	71,241
Special deposits	668	628
Undistributed	6,217	11,707
Equity		
Regular/statutory reserve	908	908
Special reserve	6,997	8,746
Other reserves	513	513
Undivided earnings	10	10
Total Liabilities and Equity	$660,779	$741,883

STATEMENT OF OPERATIONS	1983	1984
Operating income		
Interest on corporate member loans	$ 241	$ 770
Interest on other loans	1,093	846
Income from investments	57,756	73,240
Other operating income	0	5
Gross Income	59,090	74,861
Cost of funds		
Dividends-member accounts	50,878	66,512
Interest on borrowings	4,636	5,443
Other interest expense	64	60
Total Interest/Dividend Expense	55,578	72,015
Gross Earnings	3,512	2,846
Operating expense		
Employee compensation	323	342
Employee benefits	88	105
Cost of space	28	29
Office operations expense	246	298
Professional and outside services	139	248
Examination and supervision fees	41	47
Other operating expense	68	28
Total Operating Expense	933	1,097
Net Operating Income	2,579	1,749
Non-operating gains or losses (net)	75	0
Net Earnings	$ 2,654	$ 1,749

SIGNIFICANT FINANCIAL RATIOS OF STATE CREDIT UNIONS

(Excludes Central Credit Union of Michigan)

KEY OPERATING RATIOS	1980	1981	1982	1983	1984
Loan reserves/total loans	6.17%	6.02%	6.05%	5.98%	5.76%
Delinquent loans/total loans	4.46	4.11	3.71	2.75	2.23
Delinquent loans/loan reserves	72.27	68.23	61.29	45.95	38.81
Salary and benefits/income	16.60	15.92	15.83	16.02	14.63
Operating expense(-PLL)/income	35.69	33.69	33.42	34.74	31.66
Operating expense(-PLL)/total assets	3.84	4.15	3.95	3.87	3.73
Equity*/total assets	5.89	6.38	6.35	6.13	6.75
Total loans/total assets	70.89	71.02	62.55	59.03	63.88
Total investments/total assets	25.32	26.24	33.61	37.70	33.29
Fixed assets/total assets	2.42	2.64	2.66	2.46	2.28
Total loans/total savings	80.48	80.33	69.82	65.43	70.87
Total borrowings/total savings	2.65	1.89	0.85	0.99	0.55
Average return on investments (Income on investments/average investments outstanding)	9.65	11.74	11.04	8.55	9.75
Average cost of savings (Interest & dividends/average total savings)	6.86	7.67	7.84	7.05	7.47
Average cost of borrowed money (Interest on borrowings/average borrowings outstanding)	8.48	9.68	8.05	10.63	11.08
Average gross return on loans (Gross income on loans/average loans)	12.07	13.41	13.94	14.14	14.20
Average net return on loans (after interest refund) (Net income on loans/average loans)	11.85	13.22	13.67	13.84	13.90

*Represents all reserves and unallocated earnings (exclusive of investment valuation reserves) less 50% of loans delinquent 6 to less than 12 months and 75% of loans delinquent 12 months and over

DISTRIBUTION OF GROSS INCOME					
Interest refund to borrowers	1.48%	1.11%	1.37%	1.50%	1.49%
Operating expense(-PLL)	35.16	33.32	32.96	34.22	31.19
Interest on borrowings	2.49	1.53	0.75	0.75	0.74
Interest and dividend cost	53.04	53.57	54.83	54.01	54.06
Reserves	5.85	5.71	5.24	5.07	6.00
Retained earnings	1.98	4.76	4.85	4.45	6.52
Total	100.00%	100.00%	100.00%	100.00%	100.00%

EARNINGS ANALYSIS					
Gross return on assets (Gross income after interest refund/average assets)	11.10%	12.49%	12.55%	11.60%	12.30%
Less: Cost of funds	6.26	6.96	7.07	6.45	6.84
Equals: Gross spread	4.84	5.53	5.48	5.15	5.46
Less: Operating expenses(-PLL)	3.96	4.21	4.19	4.03	3.89
Required reserve transfers	.66	.72	.67	.60	.75
Equals: Net return on assets (Margin) (Net income/average assets)	.22	.60	.62	.52	.82

CLASSIFICATION OF STATE CREDIT UNIONS BY ASSET SIZE

(Excludes Central Credit Union of Michigan)

December 31, 1984

	Number of Credit Unions	Percentage In Group	Total Assets (000's Omitted)	Percentage In Group
$250,000 or less	32	6.41%	$ 4,738	.13%
$250,000 to $500,000	59	11.82	21,486	.58
$500,000 to $1,000,000	68	13.63	51,116	1.37
$1,000,000 to $2,000,000	76	15.23	104,846	2.81
$2,000,000 to $5,000,000	90	18.04	280,986	7.53
$5,000,000 to $10,000,000	74	14.83	538,102	14.43
$10,000,000 to $50,000,000	87	17.43	1,625,166	43.58
Over $50,000,000	13	2.61	1,102,556	29.57
Total	499	100.00%	$3,728,996	100.00%

STATISTICAL DATA OF STATE CREDIT UNIONS

(Excludes Central Credit Union of Michigan)

	1980	1981	1982	1983	1984
Number of credit unions	571	559	530	515	499
Number of credit union members	1,664,065	1,721,655	1,731,047	1,714,766	1,770,913
*Total assets	$2,519,441	$2,594,481	$2,931,733	$3,309,223	$3,728,996
*Total loans outstanding	$1,785,952	$1,842,651	$1,833,800	$1,951,603	$2,365,152
*Total savings (shares and deposits)	$2,219,055	$2,293,721	$2,626,651	$2,985,502	$3,361,142
Number of loans made during year	784,807	858,120	855,260	942,597	1,217,910
*Amount of loans made during year	$1,096,085	$1,259,832	$1,219,008	$1,444,954	$1,827,471
*Amount of loans over two months past due at year end	$ 79,591	$ 75,641	$ 67,977	$ 53,690	$ 53,222
*Net charges to loan reserves	$ 13,984	$ 17,046	$ 16,304	$ 11,551	$ 9,659

*(000's omitted in dollar amounts)

CORPORATE CHANGES AND RELATED INFORMATION

	1980	1981	1982	1983	1984
Number of state credit unions	572	560	531	516	500
Number of federal credit unions	326	306	289	275	264
Number of state credit unions chartered	3	1	0	0	0
Number of federal credit unions chartered	1	1	1	3	0
Number of state credit unions closed - voluntary dissolution	3	0	1	0	0
Number of federal credit unions closed - voluntary dissolution	1	0	0	0	0
Number of state credit unions closed - involuntary dissolution	0	3	2	0	1**
Number of federal credit unions closed - involuntary dissolution	4	1	3*	0	0
Number of state credit unions merged into state credit unions	14	8	22	7	12
Number of federal credit unions merged into federal credit unions	0	6	6	11	8
Number of state credit unions merged into federal credit unions	3	3	4	8	3
Number of federal credit unions merged into state credit unions	13	16	9	6	3
Number of state credit unions converted to federal charter	1	0	0	0	0
Number of federal credit unions converted to state charter	3	1	0	0	0

*Agreements were negotiated in the liquidation of these credit unions whereby credit union assets were purchased and liabilities (including members' shares) were absorbed by another credit union. Two absorbing credit unions were federal and one was state.

**Agreements were negotiated in the liquidation of this credit union whereby credit union assets were purchased and liabilities (including members' shares) were absorbed by a federal credit union.

CREDIT UNIONS MERGED
UNDER PROVISIONS OF SECTION 4(s) AND 20a OF ACT 285, P.A. 1925, AS AMENDED

Date of Merger Approval	Name of Credit Union	City
Oct. 24, 84	Lenawee County Community Credit Union Merged into TLC Community Credit Union, Tecumseh	Adrian
Jan. 24, 84	Battle Creek Ralston Purina Employees Credit Union Merged into Clark-Ralston Area Credit Union, Battle Creek	Battle Creek
Dec. 5, 84	Health Care Employees Credit Union of Calhoun County Merged into Clark-Ralston Area Credit Union, Battle Creek	Battle Creek
April 19, 84	Bay County Area Credit Union Merged into COPOCO Credit Union, Bay City	Bay City
Jan. 11, 84	Berrien Federal Employees Credit Union Merged into Clark Federal Credit Union, Buchanan	Benton Harbor
Dec. 28, 84	ACE Credit Union. Merged into Charlevoix Federal Credit Union, Charlevoix	Charlevoix
May 8, 84	St. Brendan's Parish Credit Union Merged into Northeast Catholic Credit Union, Detroit	Detroit
Feb. 1, 84	APC Credit Union. Merged into KALSEE Credit Union, Kalamazoo	Kalamazoo
Oct. 24, 84	Lansing Catholic Credit Union Merged into Gabriels Catholic Credit Union, Lansing	Lansing
Sept. 17, 84	River-Bay Community Credit Union Merged into Riverview Community Federal Credit Union, St. Clair	Marysville
Oct. 3, 84	Shoreline Community Credit Union Merged into Alpena-Alcona Governmental Employees Credit Union, Alpena	Ossineke
May 23, 84	Van Buren Governmental Employees Credit Union Merged into School Employees Credit Union, Kalamazoo	Paw Paw

CREDIT UNIONS MERGED - Cont.

Date of Merger Approval	Name of Credit Union	City
July 3, 84	Detroit Musicians Credit Union . . . . . Merged into Co-op Services Credit Union, Dearborn	Southfield
Jan. 19, 84	Taylor Credit Union . . . . . Merged into Motor City Co-Op Credit Union, Detroit	Southfield
Sept. 17, 84	Excello Employees Credit Union . . . . . Merged into Co-op Services Credit Union, Dearborn	Walled Lake

CREDIT UNION WHICH WAS PLACED INTO INVOLUNTARY DISSOLUTION UNDER PROVISIONS OF SECTION 20 OF ACT 285, P.A. 1925, AS AMENDED

Date of Dissolution Approval	Name of Credit Union	City
Jan. 3, 84	N.A.A.C.P. Credit Union.	Flint

CHANGES IN CORPORATE TITLE

Date of Change	From	To	City
Nov. 8, 84	Alpena-Alcona Governmental Employees Credit Union	Alpena-Alcona Area Credit Union	Alpena
April 19, 84	Enquirer and News Employees Credit Union	Battle Creek Enquirer Credit Union	Battle Creek
May 11, 84	Dearborn Catholic Credit Union	Dearborn Churches Credit Union	Dearborn
Sept. 17, 84	Tri-Cities Industrial Credit Union	Tri-Cities Credit Union	Grand Haven
Aug. 1, 84	Tri-County State Employees Credit Union	South Central State Employees Credit Union	Jackson
Dec. 20, 84	Motor Wheel Employees' Credit Union	Motor Wheel-Metro Area Credit Union	Lansing
June 14, 84	Lapeer County Public Employees Credit Union	Lapeer County Community Credit Union	Lapeer
Nov. 8, 84	KEMBA Michigan Credit Union	KEMBA - Foodland Credit Union	Livonia
Feb. 1, 84	Midland Governmental Employees Credit Union	Midland Area Credit Union	Midland
June 5, 84	Father Marquette Credit Union	Father Marquette-Muskegon Deanery Credit Union	Muskegon
Feb. 14, 84	Belle River Farmers Credit Union	Belle River Community Credit Union	Richmond
June 5, 84	St. Dennis Parish Credit Union	Royal Oak Community Credit Union	Royal Oak
May 11, 84	Saginaw Telephone Employees Credit Union	Communications Family Credit Union	Saginaw
Mar. 30, 84	Twin Cities Area Employees Credit Union	Lakeland Credit Union	St. Joseph
July 9, 84	Tecumseh Area Employees Credit Union	TLC Community Credit Union	Tecumseh
May 11, 84	Pennsalt Keystone Credit Union	Pennwalt Employees Credit Union	Wyandotte

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1984

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Ada	AMWAY Employees Credit Union	$ 5,163	$ 5,283	$ 4,647
Adrian	Kemco Credit Union	735	411	643
Adrian	Lenco Ed Credit Union	4,857	3,110	4,508
Albion	AMICO Credit Union	637	425	519
Allegan	Allegan County Catholic Credit Union	1,062	1,002	983
Allegan	Allegan Teachers Credit Union	458	389	378
Allen Park	Allen Park Presbyterian Credit Union	96	67	83
Allen Park	Allen Park VA Credit Union	1,371	1,110	1,247
Allen Park	Cabrini Credit Union	19,948	7,770	18,126
Alma	Gratiot Community Credit Union	3,401	2,799	3,191
Alpena	Abitibi Employees Credit Union	3,417	2,893	3,161
Alpena	Alpena-Alcona Area Credit Union	15,906	9,651	15,108
Alpena	Alpena Catholic Credit Union	658	527	618
Alpena	Alpena County Medical Credit Union	2,625	1,579	2,440
Alpena	Besser Credit Union	9,740	8,351	9,188
Alpena	H.P.C. Credit Union	14,395	10,139	12,669
Alpena	Stoneport Employees Credit Union	1,132	1,021	1,010
Alpena	Tri-Co Credit Union	472	398	442
Ann Arbor	Hospital and Health Services Credit Union	30,787	16,503	28,607
Ann Arbor	Huron River Area Credit Union	18,634	11,811	16,748
Ann Arbor	I. D. C. Credit Union	2,810	2,313	2,529
Ann Arbor	University of Michigan Credit Union	34,345	19,566	32,656
Athens	Simpson Lee Employees Credit Union	571	563	467
Au Gres	Northeastern Community Credit Union	624	342	515
Bangor	Du-Wel Employees Credit Union	220	116	186
Battle Creek	Battle Creek Building Trades Credit Union	1,517	1,203	1,320
Battle Creek	Battle Creek Enquirer Credit Union	932	519	762
Battle Creek	Battle Creek Postal Credit Union	1,326	1,122	1,166
Battle Creek	Clark-Ralston Area Credit Union	26,864	11,859	23,484
Battle Creek	Gasco Credit Union	279	258	231
Battle Creek	H. B. Sherman Employees' Credit Union	436	365	389
Battle Creek	Post Employees Credit Union	20,786	12,220	18,787
Battle Creek	School Employees Credit Union	13,799	11,123	13,084
Battle Creek	St. Regis Employee's Credit Union	3,173	1,898	2,994
Battle Creek	Weston Biscuit Employees Credit Union	194	191	154
Bay City	Bay City Electrical Workers Credit Union	1,283	521	1,097
Bay City	Bay City Times Credit Union	400	367	312
Bay City	Bay Governmental Credit Union	5,489	3,786	4,715
Bay City	Bay Medical Credit Union	2,586	2,177	2,364
Bay City	COPOCO Credit Union	12,255	6,882	10,480
Bay City	Industrial Business Credit Union	2,417	2,042	2,330
Bay City	RWC Employees Credit Union	1,712	1,114	1,429
Bay City	School Employees Credit Union	17,463	9,988	15,600
Bay City	United Bay City Credit Union	24,740	12,889	22,866
Belding	UAW-CIO Local 4 Credit Union	533	434	370
Benton Harbor	Gast Employees Credit Union	1,399	1,089	1,324
Berkley	Berkley LaSalette Community Credit Union	8,653	5,735	8,358

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Berkley	Knights of Pythias-Detroit Lodge 55 Credit Union	$ 72	$ 22	$ 61
Big Rapids	Hanchett Employees Credit Union	326	219	259
Birmingham	Birmingham Teachers Credit Union	9,176	5,310	7,809
Blissfield	St. Peters Parish Credit Union	216	147	178
Bloomfield Hills	Bloomfield Hills School Employees Credit Union	2,889	1,923	2,441
Bridgeport	United Saginaw Credit Union	7,064	4,915	6,609
Bruce Crossing	Settlers' Co-operative Credit Union	1,492	756	1,392
Buchanan	Buchanan Farmers Credit Union	8,524	3,703	6,941
Burton	Family Community Credit Union	11,433	7,667	10,912
Cadillac	Northwestern Public Employees Credit Union	5,325	3,873	4,833
Cadillac	Wexford Community Credit Union	8,338	6,354	7,807
Cass City	Walbro Employees Credit Union	235	205	227
Cedarville	Port Dolomite Credit Union	857	430	772
Center Line	Father Kramer Credit Union	5,060	3,461	4,547
Center Line	Tri-County Veterans Credit Union	625	418	411
Center Line	Warren Schools Credit Union	35,078	18,845	32,052
Charlotte	Aluminum Credit Union	608	591	525
Charlotte	Eaton County Educational Employees Credit Union	7,301	3,916	6,351
Chesaning	Christopher Credit Union	639	469	501
Clarkston	Clarkston Community School Employees Credit Union	4,414	3,224	3,456
Clawson	CSE Credit Union	12,815	7,826	11,193
Clawson	Oakland Catholic Credit Union	19,110	11,696	17,931
Clawson	Royal Oak Postal Employees Credit Union	752	617	614
Coldwater	Coldwater Area Credit Union	2,023	1,783	1,694
Comstock Park	G R Building Trades Credit Union	6,853	3,538	6,489
Corunna	Shiawassee County Teachers Credit Union	7,493	5,031	7,046
Croswell	Croswell Pickle Co. Employees Credit Union	329	227	271
Croswell	Sanilac County Teachers Credit Union	880	855	728
Croswell	St. Patrick (Croswell) Credit Union	370	278	249
Dearborn	ACM Employees Credit Union	21,754	7,943	20,035
Dearborn	Co-op Services Credit Union	62,965	42,925	56,513
Dearborn	Dairymen's Credit Union	12,109	5,433	6,570
Dearborn	Dearborn Churches Credit Union	3,083	1,263	2,926
Dearborn	Dearborn Municipal Employees Credit Union, The	2,864	1,435	2,731
Dearborn	Dearborn Postal Employees Credit Union	940	775	887
Dearborn	Dearborn Schools Credit Union	27,002	9,286	24,149
Dearborn	Lathers Credit Union	316	211	266
Dearborn	Pere Marquette Employes' Credit Union	18,385	11,280	16,621
Dearborn	Rouge Employees Credit Union	13,992	12,932	13,097
Dearborn Heights	Dearborn Heights Employees Credit Union	348	232	316
Dearborn Heights	St. Linus Credit Union	1,978	1,483	1,699
Detroit	American Credit Union	3,682	2,759	2,854
Detroit	AMEZ United Credit Union	172	97	143
Detroit	Associated Brewery Workers Credit Union of Greater Detroit, The	11,004	9,518	9,737
Detroit	Bakery Drivers, Salesmen, Local No. 51 Credit Union	1,116	1,003	904
Detroit	Bethel Baptist Church East Credit Union	170	58	151
Detroit	Blue Cross-Blue Shield Employees Credit Union	2,923	2,362	2,389
Detroit	Borman Credit Union	12,936	8,854	11,808
Detroit	Champion Employees Credit Union	2,748	1,308	2,333

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Detroit	Communicating Arts Credit Union	$ 11,445	$ 8,407	$ 10,686
Detroit	Contrak Credit Union	3,117	1,766	1,917
Detroit	Craftsman Credit Union	29,529	11,354	24,461
Detroit	Dana Detroit Employees Credit Union	335	268	303
Detroit	Designing Engineers Credit Union	12,805	7,399	11,537
Detroit	Detroit-Edison Employes Credit Union, The	102,568	62,960	91,933
Detroit	Detroit Methodist Conference Credit Union	2,793	1,815	2,648
Detroit	Detroit Municipal Credit Union	102,916	51,775	95,452
Detroit	Detroit New Calvary Baptist Church Credit Union	850	437	740
Detroit	Detroit Postal Employees Credit Union, The	39,626	16,869	34,091
Detroit	Detroit Teachers Credit Union	117,581	74,388	108,004
Detroit	Ebenezer A.M.E. Church Credit Union	374	314	309
Detroit	Electrical Workers Local 58 Credit Union	1,524	1,255	1,452
Detroit	E. W. Daniel Episcopal Credit Union	77	13	61
Detroit	Fannie B. Peck Credit Union of Bethel A.M.E. Church	245	26	203
Detroit	F.R.B. Employees Credit Union	679	645	617
Detroit	Gasco Employees Credit Union	19,893	15,947	18,122
Detroit	Grace Church Credit Union	24	8	18
Detroit	Grand Trunk Shoreline Employee's Credit Union	1,760	1,548	1,654
Detroit	Greater Christ Baptist Church Credit Union	488	280	458
Detroit	Greater New Mt. Moriah Baptist Church Credit Union	104	71	88
Detroit	Holy Cross Council Credit Union	558	349	462
Detroit	I. M. Detroit District Credit Union	454	25	328
Detroit	Iron Workers Local 25 Credit Union	1,743	1,245	1,420
Detroit	J. L. Hudson Employees Credit Union	44,895	25,852	40,810
Detroit	Jos. Campau Avenue Church of God Credit Union	42	38	39
Detroit	Local 17 IBEW Credit Union	1,031	648	915
Detroit	M.E.S. Credit Union	5,690	4,834	4,729
Detroit	Metropolitan Church of God Credit Union	36	22	32
Detroit	Motor City Co-op Credit Union	21,404	17,257	19,228
Detroit	Mount Carmel Mercy Credit Union	2,658	2,364	2,341
Detroit	Northeast Catholic Credit Union	15,507	11,557	14,336
Detroit	Northwest Parish Credit Union	937	896	858
Detroit	Peoples Community Church Credit Union	559	387	493
Detroit	Precision Spring Credit Union	272	201	219
Detroit	Prince Hall Credit Union	166	32	109
Detroit	St. Bartholomew Parish Credit Union	946	564	824
Detroit	St. Gabriel Parish Credit Union	1,583	685	1,363
Detroit	St. Gemma Parish Credit Union	298	210	256
Detroit	St. Hilary Credit Union	1,705	984	1,313
Detroit	St. John Presbyterian Church Credit Union	251	214	214
Detroit	Saint Peter and Paul Orthodox Credit Union, The	327	289	267
Detroit	Scott Methodist Credit Union	137	11	119
Detroit	Service Employees Credit Union	736	747	646
Detroit	Servitor Credit Union	5,191	4,596	3,503
Detroit	Sinai Hospital of Detroit Credit Union	3,506	2,693	3,233
Detroit	Teamsters Credit Union	9,012	5,854	8,238
Detroit	Trailer Credit Union	2,934	2,601	2,599
Detroit	Unity Credit Union	16,823	10,433	15,758
Detroit	Vernon Chapel Credit Union	144	116	108

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Detroit	Warrendale Community Credit Union	$ 4,739	$ 3,940	$ 4,250
Detroit	Wayne County Credit Union	32,247	23,585	29,701
Dowagiac	Cass County School and Governmental Employees Credit Union	458	466	426
Drayton Plains	Lakeland Catholic Credit Union	1,615	1,014	1,321
Drummond Island	DeTour Drummond Community Credit Union	894	608	707
East Detroit	City of East Detroit Employees Credit Union	1,197	813	1,127
East Detroit	East Detroit School Employees Credit Union	2,963	1,853	2,672
East Detroit	Lutheran Credit Union of Greater Detroit	497	473	456
Eaton Rapids	Wesley Credit Union	2,180	1,852	1,861
Ecorse	Ecorse Municipal Employees Credit Union	327	287	268
Edmore	Hitachi Employees Credit Union	1,342	1,276	1,234
Edmore	Montcalm Public Employees Credit Union	975	895	853
Elkton	West Huron Community Credit Union	918	645	843
Escanaba	Bay de Noc State Employees Credit Union	6,367	3,586	5,754
Escanaba	Delta County Credit Union	18,214	6,696	17,510
Escanaba	Delta County Printing Trades Credit Union	116	72	101
Escanaba	Delta County Teachers' Credit Union, The	1,251	1,159	1,166
Essexville	Essexville Columbus Credit Union	201	134	172
Farmington	Suburban Catholic Credit Union	11,556	8,008	10,303
Farmington Hills	St. Fabian's Credit Union	131	88	100
Ferndale	Ferndale Co-op Credit Union	86,751	60,499	82,769
Ferndale	Pattern Makers Credit Union	2,320	1,829	2,179
Filer City	Filer City Mill Employees Credit Union	5,226	2,497	4,594
Flint	El-Ga Credit Union	9,690	5,418	8,818
Flint	Flint Area School Employees Credit Union	51,221	27,278	45,571
Flint	Flint Federal Employees Credit Union	6,299	4,352	5,919
Flint	Flint Municipal Credit Union	10,190	8,890	8,910
Flint	Genesee County Employees Credit Union	2,106	1,576	1,833
Flint	Grand Blanc Auto Workers Credit Union	9,971	5,218	7,252
Flint	McDonald Dairy Employees Credit Union	1,031	797	927
Flint	North Flint Catholic Credit Union	6,299	5,585	5,773
Flint	Retail Store Employees Credit Union	3,122	2,866	2,875
Frankenmuth	Frankenmuth Credit Union	6,580	4,027	5,944
Frankenmuth	Universal Employees' Credit Union	1,253	502	1,063
Fraser	Cross Company Employees' Credit Union, The	541	509	487
Fraser	Macomb Schools and Government Credit Union	72,970	35,086	69,816
Freeland	Tri-County Building Trades Credit Union	1,345	816	1,286
Fremont	Brunswick Credit Union	252	208	215
Fremont	Newaygo County School Employees Credit Union	1,199	1,047	1,041
Garden City	Garden City Community Credit Union	1,217	700	1,143
Grand Haven	Bastian-Blessing Employees Credit Union	1,482	1,039	1,427
Grand Haven	North Ottawa Credit Union	420	357	355
Grand Haven	Ottawa County School Employees Credit Union	9,267	6,493	8,413
Grand Haven	Story & Clark Employees Credit Union	285	271	212
Grand Haven	Tri-Cities Credit Union	2,713	2,066	2,388
Grand Rapids	A A C Credit Union	7,863	4,821	7,004
Grand Rapids	Alofs Employees Credit Union	415	401	314
Grand Rapids	AMI Employees' Credit Union	1,402	1,213	1,218
Grand Rapids	Aquinas College Credit Union	2,196	1,531	1,879
Grand Rapids	A. T. L. Employees Credit Union	7,752	3,870	6,951

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Grand Rapids	Bell Com Credit Union	$ 26,530	$17,669	$ 24,735
Grand Rapids	Bissell Employees Credit Union	2,295	2,003	2,098
Grand Rapids	Blackmer Pump Credit Union	604	481	546
Grand Rapids	Blessed Sacrament Parish Credit Union	596	548	528
Grand Rapids	Blodgett Memorial Medical Center Credit Union	3,530	2,385	3,342
Grand Rapids	Food Marketers Credit Union	5,198	3,621	4,741
Grand Rapids	Grand Rapids Federal Employees Credit Union	13,488	10,726	12,643
Grand Rapids	Grand Rapids Municipal Employees' Credit Union	8,469	4,875	7,904
Grand Rapids	Grand Rapids Teachers Credit Union	60,857	33,331	58,240
Grand Rapids	Grand Valley Co-op Credit Union	19,865	14,035	19,039
Grand Rapids	GRDT Employees Credit Union	2,059	1,867	1,945
Grand Rapids	Guardsman Employees Credit Union	754	717	700
Grand Rapids	Health Care Credit Union	5,107	4,217	4,848
Grand Rapids	John Widdicomb Co. Employees Credit Union, The	319	292	297
Grand Rapids	Keeler Brass Employees Credit Union	1,662	976	1,464
Grand Rapids	Kent County Employees Credit Union	5,161	3,132	4,617
Grand Rapids	K-V Employees Credit Union	851	780	690
Grand Rapids	Latvian Credit Union	2,269	705	2,039
Grand Rapids	L S I Credit Union	20,775	15,485	15,490
Grand Rapids	Meijer Employees Credit Union	14,983	12,602	13,826
Grand Rapids	MPS Employees Credit Union	869	417	712
Grand Rapids	North Ke[illegible] Catholic Credit Union	911	652	796
Grand Rapids	Oak Industrial Park Credit Union	5,298	3,797	5,163
Grand Rapids	Saint Mary's Hospital Credit Union	3,291	2,682	3,103
Grand Rapids	Saint Matthew's Credit Union	18,462	11,860	17,292
Grand Rapids	Western Districts Employees Credit Union	4,649	4,011	3,866
Grand Rapids	West Michigan State Employees Credit Union	11,171	9,793	9,986
Grandville	AlloyTek Employees Credit Union	1,110	844	966
Grandville	Southwest Catholic Credit Union	1,122	667	944
Grandville	Transit Employees Credit Union	186	164	169
Greenville	Ranney Refrigerator Employees Credit Union	339	229	293
Grosse Pointe	Bon Secours - Cottage and Affiliates Credit Union	4,230	3,187	3,805
Hamtramck	Cardinal Mercier Credit Union	382	321	341
Hamtramck	St. Ladislaus Credit Union	747	533	642
Hart	Oceana School Employees Credit Union	365	338	299
Hastings	P-Ring Credit Union	968	858	823
Hastings	Thornapple Valley Community Credit Union	3,354	2,863	3,016
Highland Park	Highland Park School Employees Credit Union	1,756	1,520	1,587
Holland	Big Dutch Fleet Credit Union, The	2,378	1,863	2,062
Holland	Donnelly Mirrors Employees Credit Union	908	720	775
Holland	Holland Central Trades Credit Union	9,955	6,559	8,990
Holland	Holland General Electric Employees Credit Union	2,204	2,059	1,946
Holland	Holland Machine Employees Credit Union	456	420	343
Holland	Holland Municipal Employees Credit Union	2,386	2,106	2,192
Howell	C.H.C. Employees Credit Union	318	289	275
Howell	Citizens' Credit Union	1,825	1,769	1,443
Inkster	Western Wayne Catholic Credit Union	918	561	823
Ionia	Auto Body Workers Credit Union of Ionia	1,145	839	1,018
Ionia	Governmental Employees Credit Union	5,832	3,158	4,639
Iron River	Southwest Iron County Community Credit Union	2,308	1,964	2,114

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Jackson	Aeroquip Employees Credit Union	$ 4,940	$ 4,343	$ 4,474
Jackson	Catholic Community Credit Union	940	597	805
Jackson	Jackson City County Credit Union	3,572	2,437	3,178
Jackson	Jackson County Printing and Publishing Employees Credit Union	1,313	1,093	1,092
Jackson	Michigan Railroaders Credit Union	1,255	678	1,028
Jackson	School Employees Credit Union	11,446	8,918	10,399
Jackson	South Central State Employees Credit Union	8,804	8,112	7,784
Jackson	Sparton Employees' Credit Union	623	417	576
Jackson	Teer-Wickwire Employees Credit Union	192	166	153
Kalamazoo	Auto Workers Credit Union	16,586	13,535	14,207
Kalamazoo	Kalamazoo Building Trades Credit Union	1,801	1,340	1,628
Kalamazoo	Kalamazoo Gazette Employees Credit Union	1,169	1,030	1,009
Kalamazoo	Kalamazoo State Hospital Employees' Credit Union	4,557	2,670	4,176
Kalamazoo	KALSEE Credit Union	12,551	8,233	11,586
Kalamazoo	Northwest Industrial Credit Union	9,939	6,453	9,495
Kalamazoo	Papermakers Credit Union	2,600	2,057	2,456
Kalamazoo	School Employees Credit Union	27,699	22,172	26,003
Kalamazoo	Southwestern Michigan Utilities Employees Credit Union	3,427	2,645	2,976
Kalamazoo	Southwestern State Employees Credit Union	11,990	7,984	11,030
Lake Leelanau	Leelanau Catholic Credit Union	678	401	560
Lake Orion	Orion-Oxford Community Credit Union	1,387	1,101	1,272
Lansing	Auto Body Credit Union	44,924	28,775	41,335
Lansing	Auto-Owners Employees Credit Union, The	4,668	3,063	4,273
Lansing	Barbers Credit Union	479	357	424
Lansing	Capital Area School Employees Credit Union	27,903	20,664	24,769
Lansing	Communication Services Credit Union	5,161	4,649	4,481
Lansing	Consumers Power Credit Union	12,037	8,322	10,634
Lansing	Cooley Lawyers Credit Union	1,127	1,034	973
Lansing	Dairy Workers Credit Union	163	125	155
Lansing	Farm Bureau Employees Credit Union	2,785	2,248	2,586
Lansing	Federal Employees Credit Union	3,253	2,419	2,981
Lansing	Gabriels Catholic Credit Union	1,608	1,070	1,444
Lansing	Greater Lansing Labor Council Credit Union	1,226	1,124	967
Lansing	Lansing Building Trades Credit Union	1,161	963	1,085
Lansing	Lansing Community Credit Union	12,711	9,231	10,657
Lansing	Lansing Postal Credit Union	7,142	5,222	6,354
Lansing	Medical Credit Union	6,207	3,941	5,769
Lansing	Motor Wheel-Metro Area Credit Union	17,185	8,678	15,656
Lansing	Poverello Credit Union	2,284	1,216	1,920
Lansing	Schmidt's Employees Credit Union	885	814	797
Lansing	State Employees Credit Union	106,125	71,547	101,554
Lansing	State Journal Employees Credit Union, The	1,309	763	1,109
Lapeer	Lapeer County Community Credit Union	10,318	7,424	9,772
Lapeer	Lapeer County School Employees Credit Union	2,308	1,541	1,968
Lathrup Village	Southfield Tri-Parish Credit Union	1,238	1,081	1,139
Lawton	Welch Foods Inc. Credit Union	372	306	314
Leonidas	Plastic Workers Credit Union	506	463	428
Lincoln Park	Good Shepherd Credit Union	13,812	7,062	13,033
Lincoln Park	Lincoln-Allen Credit Union	6,866	4,865	6,208
Livonia	KEMBA - Foodland Credit Union	7,841	5,216	6,292

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Livonia	Livonia Community Credit Union	$ 9,867	$ 6,734	$ 8,989
Livonia	Parkside Credit Union	15,478	11,374	13,887
Livonia	Saints Tri-Parish Credit Union	1,896	1,542	1,720
Livonia	Wayne Out County Teachers' Credit Union	60,895	34,224	49,443
Ludington	Dow Ludington Employees' Credit Union	7,066	4,632	6,572
Ludington	Jackson Vibrators Employees Credit Union	1,019	671	824
Ludington	Mason County School Employees Credit Union	1,702	1,291	1,554
Madison Heights	AFD Credit Union	4,888	4,235	4,446
Madison Heights	Madison Heights Municipal Employees Credit Union	369	320	282
Madison Heights	SOC Credit Union	41,985	33,794	38,172
Manistee	Manistee Catholic Central Credit Union	178	119	150
Manistee	Manistee County Teachers Credit Union	443	367	400
Manistee	Manistee Public Employees Credit Union	621	581	497
Manistee	Manistee Salt Employees Credit Union	1,397	918	1,204
Marlette	Thumb Credit Union	149	139	133
Marquette	Marquette Catholic Credit Union	15,841	5,832	13,092
Marquette	Steelworkers - Local 3111 Credit Union	119	69	101
Marshall	Marshall Community Credit Union	9,221	4,172	7,938
Marysville	Educational Associates Credit Union	13,016	9,061	11,805
Marysville	Marysville Business Employees Credit Union	1,124	937	1,026
Mason	Wyeth - Mason Credit Union	774	584	666
Melvindale	Downriver Catholic Credit Union	10,405	5,765	9,648
Melvindale	Melvindale Community Credit Union	2,056	1,507	1,864
Menominee	MECU Credit Union	922	342	839
Menominee	Menominee Area Credit Union	1,508	1,361	1,392
Menominee	Menominee Catholic Credit Union	355	138	328
Menominee	Menominee Local 328 Credit Union	523	402	467
Menominee	Menominee Paper Credit Union	3,608	1,571	3,114
Midland	Dow Chemical Employees' Credit Union	142,797	82,574	124,289
Midland	Midland Area Credit Union	9,630	8,821	8,450
Midland	Midland County School Employees Credit Union	7,466	5,510	7,011
Milford	Huron Valley School Employees Credit Union	3,067	2,598	2,753
Monroe	Monroe County and Municipalities Employees Credit Union	1,006	978	838
Monroe	Monroe County Community Credit Union	13,273	7,412	12,353
Monroe	Monroe County Teachers Credit Union	8,026	7,499	6,858
Monroe	St. Michael's - Monroe Credit Union	370	241	291
Mt. Clemens	Joint Military Services Credit Union	32,420	26,571	30,648
Mt. Clemens	St. Joseph Hospital Employees Credit Union	2,714	2,289	2,374
Mt. Morris	Building Trades - AFL-CIO Credit Union	890	553	813
Mt. Morris	Mid Valley Credit Union	5,012	2,212	4,770
Mt. Pleasant	Isabella Community Credit Union	17,212	10,311	16,714
Munising	Munising Community Credit Union	6,987	4,183	6,227
Muskegon	Clarke Floor Machine Employees Credit Union	738	691	640
Muskegon	Father Marquette-Muskegon Deanery Credit Union	358	335	304
Muskegon	Gentelco Credit Union	9,009	6,604	7,724
Muskegon	Johnson Products Employees Credit Union	524	500	429
Muskegon	Muskegon Catholic Central Credit Union	1,404	1,065	1,249
Muskegon	Muskegon Central Trades Credit Union	1,239	1,042	1,216
Muskegon	Muskegon Consumers Power Employees Credit Union	1,306	1,193	1,094
Muskegon	Muskegon County School Employees Credit Union	10,139	6,576	9,198

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Muskegon	Muskegon Piston Ring Employees Credit Union	$ 1,808	$ 1,588	$ 1,559
Muskegon	Muskegon Printing Industrial Employees Credit Union	1,154	1,018	1,067
Muskegon	Muskegon Teachers Credit Union	1,259	1,180	1,044
Muskegon	Sealed Power Employees Credit Union	11,475	6,077	10,324
Muskegon	TRU-VALU Credit Union	2,954	2,847	2,527
Newberry	East Central Upper Peninsula Employees Credit Union	7,771	4,595	7,429
Niles	N.-S. Credit Union	2,423	1,960	2,110
Niles	Simplicity - Berrien Graphic Arts Credit Union	3,737	1,800	3,442
Niles	Tyler Employees Credit Union	1,270	1,097	922
Norway	Norway Community Credit Union	1,765	1,298	1,544
Oak Park	Oak Park Municipal Employees' Credit Union	423	405	347
Oak Park	Our Lady of Fatima Credit Union	812	718	727
Oak Park	Sheetmetal Credit Union	2,219	2,119	2,149
Ontonagon	Lake Superior Credit Union	1,144	820	1,015
Orchard Lake	West Acres Credit Union	1,341	995	1,092
Oscoda	Iosco School Employees Credit Union	4,833	2,367	4,466
Otsego	Mead - Otsego Employees Credit Union	1,124	910	947
Otsego	Otsego Falls Credit Union	204	176	170
Owosso	Centel Credit Union	4,701	2,871	3,906
Owosso	Midland-Ross Owosso Employees Credit Union	1,758	1,163	1,601
Owosso	Owosso Columbus Credit Union	1,335	1,119	1,174
Owosso	Shiawassee Credit Union	869	503	780
Pelkie	Pelkie-Copper Country Community Credit Union	2,247	1,450	2,086
Plainwell	Allegan County School Employees Credit Union	2,668	1,979	2,281
Plainwell	Plainwell Paper Co., Inc. Employees Credit Union	1,551	1,240	1,275
Plymouth	Burroughs Interstate Services Credit Union	5,733	3,720	5,125
Plymouth	Plymouth Council Credit Union	534	352	482
Pontiac	Clinton Oakland Employees Credit Union	12,545	6,363	11,180
Pontiac	North Oakland Community Credit Union	13,142	10,587	11,901
Pontiac	Oakland County Employees Credit Union	19,480	13,295	18,472
Pontiac	Pontiac Municipal Employees Credit Union	8,408	7,705	8,020
Pontiac	Pontiac Postal Employees Credit Union	3,785	2,489	3,013
Pontiac	Pontiac Railroad Employees Credit Union	5,205	3,338	4,887
Pontiac	Pontiac Telephone Employees Credit Union	18,324	15,136	16,810
Port Huron	City County Associates Credit Union	1,649	1,399	1,458
Port Huron	Port Huron Paper Credit Union	1,043	953	974
Port Huron	St. Clair County Manufacturer's Credit Union	10,777	8,165	9,813
Port Huron	Times Herald Employees Credit Union	381	208	355
Port Sanilac	St. Mary's Parish Credit Union	75	37	63
Redford	Redford Township Community Credit Union	8,103	4,508	7,642
Redford	Redford Township Employees Credit Union	564	473	495
Reed City	Miller Industries Credit Union	756	628	626
Reed City	Osceola Community Credit Union	102	92	94
Reese	St. Elizabeth Parish Credit Union	1,405	1,107	1,314
Richmond	Belle River Community Credit Union	2,253	2,055	1,968
River Rouge	Fabricon Products Employees Credit Union	291	213	264
River Rouge	MSGR. Champion K. of C. Credit Union	623	378	518
River Rouge	River Rouge Municipal Credit Union	723	641	561
Riverview	Riverview Community Employees Credit Union	1,028	723	837
Rochester	Rochester Schools Credit Union	5,856	3,676	5,602

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Rockwood	Christian Community Credit Union	$ 314	$ 288	$ 261
Rogers City	Calcite Credit Union	7,040	4,670	6,164
Romeo	M P G Credit Union	678	539	549
Romulus	Kerr Employees Credit Union	486	397	433
Roscommon	North Central Governmental Credit Union	11,755	7,871	10,180
Roseville	ARC Credit Union	2,717	1,727	2,624
Roseville	SERF Credit Union	19,363	14,482	18,414
Roseville	St. Angela Parish Credit Union	2,387	1,746	2,161
Royal Oak	Bus Transportation Credit Union	9,481	5,599	7,278
Royal Oak	ROME Credit Union	3,647	2,393	3,301
Royal Oak	Royal Oak Community Credit Union	16,353	10,603	15,488
Royal Oak	Royal Oak Schools Credit Union	13,297	6,576	12,295
Royal Oak	St. Mary's of Royal Oak Parish Credit Union	3,149	2,701	2,980
Royal Oak	Shrine of the Little Flower Parish Credit Union	3,923	3,525	2,286
Royal Oak	South Oakland Methodist Credit Union	3,247	2,374	3,116
Rudyard	Rudyard-Pickford Co-op Credit Union	2,931	2,033	2,764
Saginaw	Amalgamated Local 455 Credit Union	10,050	6,944	8,003
Saginaw	Baker Perkins Employees Credit Union	2,665	2,458	2,435
Saginaw	Communications Family Credit Union	67,106	38,536	59,744
Saginaw	Education Employees Credit Union of Saginaw	23,356	11,854	21,319
Saginaw	Holy Spirit Parish Credit Union	2,071	1,992	1,781
Saginaw	Lake Huron Credit Union	5,719	2,374	5,210
Saginaw	Saginaw County Employees Credit Union	6,918	4,053	6,377
Saginaw	Saginaw C. P. Employees Credit Union	7,595	3,400	7,252
Saginaw	Saginaw Eaton Credit Union	8,797	4,014	7,778
Saginaw	Saginaw Farm Bureau Credit Union	4,096	2,748	3,708
Saginaw	Saginaw Municipal Employees Credit Union	10,163	5,204	9,005
Saginaw	Saginaw News Employees Credit Union	679	543	547
Saginaw	Saginaw-West Catholic Credit Union	2,105	1,004	1,904
Saginaw	Severance Employees Credit Union	260	243	234
Saginaw	Tri County Automotive Credit Union	255	240	224
Saginaw	Valley State Employees Credit Union	4,046	3,555	3,727
St. Joseph	Berrien Teachers Credit Union	16,128	8,758	15,108
St. Joseph	Heath Employees Credit Union	7,124	4,137	6,665
St. Joseph	Lake-View Credit Union	722	576	670
St. Joseph	Lakeland Credit Union	7,263	6,678	6,085
Sault Ste. Marie	Chippewa County Employees Credit Union	2,101	1,743	1,815
Sault Ste. Marie	Federal Employees of Chippewa Co. Credit Union	765	644	659
Sault Ste. Marie	Sault Ste. Marie Municipal Employees Credit Union	381	318	342
Sault Ste. Marie	Soo Co-op Credit Union	11,131	9,161	9,883
Southfield	Bayanihan Credit Union	173	7	165
Southfield	Central Credit Union of Michigan	741,883	19,921	649,862
Southfield	Covenant Credit Union	5,679	3,514	5,380
Southfield	Detroit Federal Employees Credit Union	40,347	21,420	30,960
Southfield	FTD Employees Credit Union	300	250	286
Southfield	Immaculate Heart of Mary Parish Credit Union	1,810	1,774	1,535
Southfield	Michigan Services Credit Union	5,877	3,890	5,415
Southfield	Providence Hospital Employees Credit Union	2,708	2,456	2,260
Southfield	Southfield Employees Credit Union	1,207	1,007	729
Southfield	Telcom Credit Union	67,803	43,704	61,423

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Southgate	Detroit Peerless Employees Credit Union	$ 317	$ 203	$ 276
Sparta	Rogue River Community Credit Union	2,865	1,873	2,493
Spring Lake	West Grand River Community Credit Union	439	374	410
Standish	Standish Community Credit Union	923	824	826
Sterling Heights	Sterling-Van Dyke Credit Union	9,939	7,325	8,562
Sterling Heights	Vandyke Industrial Park Credit Union	3,727	3,502	3,313
Tawas City	D. and M. Credit Union	640	507	554
Tawas City	National Gypsum Employees Credit Union	829	750	717
Taylor	D. T. & I. Employees Credit Union	4,638	2,020	4,292
Taylor	St. Cyril Parish Credit Union	2,574	2,130	2,413
Taylor	Taylor Community Credit Union	14,392	7,104	12,996
Tecumseh	TLC Community Credit Union	27,490	16,107	25,511
Temperance	Mt. Carmel Credit Union	154	138	128
Traverse City	Burwood Credit Union	354	234	287
Traverse City	Governmental Employees Credit Union	12,609	9,405	11,726
Traverse City	TBA Education Credit Union	7,778	5,976	7,043
Traverse City	T.C.I.W. Credit Union	1,397	1,099	1,356
Traverse City	Trades Credit Union	1,320	1,115	1,202
Trenton	Trenton Governmental Employees Credit Union	7,757	5,337	6,914
Trenton	Trenton Resins Credit Union	350	311	302
Troy	T & I Division Credit Union	15,128	9,593	13,665
Union Lake	St. Patrick Credit Union	266	225	205
Utica	North Metro Catholic Credit Union	879	627	753
Utica	St. Lawrence Columbus Credit Union	5,405	3,761	5,115
Warren	Bi-County Catholic Credit Union	4,008	1,271	3,548
Warren	E.M.I. Employees Credit Union	451	377	381
Warren	Future Credit Union of Detroit	10,059	3,112	9,682
Warren	Macomb County Postal Employees Credit Union	580	528	519
Warren	Multi-Parish Credit Union	502	308	469
Warren	St. Cletus Credit Union	1,550	1,413	1,414
Warren	St. Leonard's Parish Credit Union	430	378	382
Warren	St. Mark's Credit Union	953	850	884
Warren	St. Sylvester Parish Credit Union	888	720	782
Warren	TEK-NI-KAL Employees Credit Union	4,904	3,817	4,479
Weidman	Morbark Employees Credit Union	258	210	245
West Branch	Ogemaw Community Credit Union	5,433	2,850	4,962
Westland	C & S Employees Credit Union	8,610	7,695	6,414
Westland	Eloise Credit Union	7,237	5,530	6,316
Whitehall	Howmet Employees Credit Union	7,123	6,246	6,163
Whitehall	Whitehall Leather Employees Credit Union	304	182	257
White Pigeon	Eddy Paper Employees Credit Union	295	272	245
Woodhaven	E & L Transport Employees Credit Union	353	277	296
Woodhaven	Woodhaven Mobil Credit Union	247	225	184
Wyandotte	Downriver School Employees Credit Union	7,599	5,368	6,998
Wyandotte	Pennwalt Employees Credit Union	880	735	746
Wyoming	Allied Printing Trades Credit Union	2,183	1,849	1,928
Wyoming	American Box Board Company Employees' Credit Union	1,046	885	866
Wyoming	Employees Credit Union of Spartan Stores, Inc.	2,775	2,087	2,632
Wyoming	Employees of Keebler Company's Grand Rapids Bakery Credit Union	984	812	908

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
Wyoming	G. R. O. H. Employees Credit Union	466	359	435
Wyoming	Multi-Products Credit Union	18,713	11,598	16,787
Wyoming	Steelcase Employees Credit Union	25,214	11,067	22,762
Wyoming	Transport Affiliated Companies Credit Union	4,065	3,475	3,382
Ypsilanti	Eastern Michigan University Credit Union	2,696	1,517	2,285

SAVINGS AND LOAN DIVISION

The Savings and Loan Division is responsible for the chartering, regulation and supervision of state-chartered savings and loan associations in Michigan. The purpose of supervision is to ensure the safe and sound operation of all state associations, to enforce statutory compliance and to protect the public interest.

Examinations

The division conducts periodic examinations jointly with the Federal Home Loan Bank Board (Board) whose agency, the Federal Savings and Loan Insurance Corporation (FSLIC), insures deposits of all state associations. With the data obtained through an examination, the division can evaluate an association's capital adequacy, quality of assets, managerial expertise, earnings ability, and level of liquidity. Twelve examinations were conducted by the division during 1984.

Problem Associations

State-chartered associations generally continued to suffer from an asset/liability mismatch with a corresponding negative impact on earnings. This resulted in a decline in net worth as a percentage of assets. During 1984, rapid growth surfaced as a problem area. Significant growth in assets without a corresponding capital growth caused operational deficiencies and revealed structural flaws. The table below provides information pertaining to problem associations over the last five years.

	Total Associations Supervised	Problems Removed	Problems Identified	Current Problems
1980	30	0	0	1
1981	26	2	2	1
1982	21	0	3	4
1983	20	3	0	1
1984	20	0	1	2

Structural Trends

The movement in charters from state to federal and from mutual to stock continued in 1984. Detroit & Northern Savings & Loan Association and Bloomfield Savings & Loan Association both converted to federal charters. In addition, five applications to convert to federal charter were in process at year end. Converting to a stock charter were Metrobanc Federal Savings Bank, Guaranty Federal Savings and Loan Association, and Security Savings and Loan Association. Two new associations opened for business in 1984: United Savings and Loan Association, Farmington Hills, and Sterling Savings and Loan Association, Waterford Township (Pontiac).

While the number of state-chartered associations remained at 20, the number of branch offices declined to 82. Empire of America, FSA relocated its principal office to New York. This relocation, combined with two conversions to federal charter, resulted in 33 federal associations being in operation at year end. These associations operated 494 branches for a net increase of 15 over 1983. On December 31, 1984, 53 associations with 576 branch offices were servicing Michigan.

Industry Reform Trends

Several of the financial indicators for 1984 were positive. Loan delinquency levels declined, while assets (adjusted for Empire's

main office relocation), other borrowings, return on average assets, and savings (net of interest credited), increased. Liquidity levels remained the same. Associations continued to sell low-yield mortgages and to reinvest the funds in short-term investments and in mortgage-backed bonds. Emphasizing expense control, developing fee income, increasing reliance on consumer and other types of short-term lending all contributed to an improving positive interest rate margin. Adjustable rate mortgages became the dominant mortgage instrument. The dollar amount of repossessed real estate declined 25%. Loans closed in 1984 remained approximately the same as ~~in~~ 1983. Associations increased their use of service corporations as profit centers and began to emphasize hedges as a risk-minimization tool.

Changes in Laws and Rules

The Federal Home Loan Bank Board (Board) issued several new regulations of which three merit special attention. The Board established limits on the issuance by insured institutions of accounts that provide for the payment of interest to be determined by reference to an index that is based upon the profitability or income derived from assets of the institutions (earnings-based accounts). Accounting treatment of acquisition, development, and construction transactions was another area addressed by the Board. Finally, the Board codified its procedures concerning the management of interest-rate risk by requiring that each institution's board develop and implement a policy for the management of interest-rate risk.

Michigan enacted five laws which were of significant interest to the savings and loan industry. Savings and loans were authorized to act in a fiduciary capacity to establish common trust funds (1984 PA 101). The 16.5% interest rate ceiling on auto loans was extended to December 31, 1985 (1984 PA 350). Savings and loans were permitted to be licensed as sales finance companies under the Motor Vehicle Sales Finance Act (1984 PA 339). Public Act 351 of 1984 will regulate the enforcement of due-on-sale clauses for loans which were exempted until October 15, 1985 from the due-on-sale provision of the Garn St. Germain Depository Institutions Act. Finally, savings and loans were authorized to invest in mortgages issued or guaranteed by the Federal Home Loan Mortgage Corporation (1984 PA 397).

Statistical Data

For purposes of comparison, the following statistical data have been adjusted to exclude converted associations and mark-to-market accounting.

Assets of state-chartered associations increased $613 million or 30.7% in 1984. Net worth grew at a rate of 21.4%, thus causing the net worth to asset ratio to decline to 3.45%. The asset category recording the largest change was non-mortgage loans, which grew $35 million or 98.3%. Mortgage loans and contracts increased 27.5% and cash and investments by 44.1%. Aggregate deposits increased $450 million or 27.9%. Deposits by category showed that passbook, NOW and NINOW accounts rose by 104.1%, deposit accounts over $100,000 increased by 110.9% and other deposits declined by 13.3%. Borrowings increased by $136 million or 49.0% compared to year-end 1983.

Net profits were realized by fifteen of the twenty state-chartered associations in 1984, for an aggregate return on average assets of 0.33%. A 41.6% improvement in operating income was offset by a 52.6% increase in operating expenses and a 38.7% increase in interest paid on deposits and borrowings, but net income rose 69.0%.

The stabilization of interest rates resulted in a significant increase in yield on assets of state-chartered associations. The overall cost-of-money rate also increased in 1984, but at a lower rate. The result was an improvement in the interest margin from 1.45% to 2.29%.

	Cost of Money	Yield on Investments
1980	8.61%	9.42%
1981	10.53	9.96
1982	10.68	10.17
1983	8.98	10.43
1984	10.01	12.30

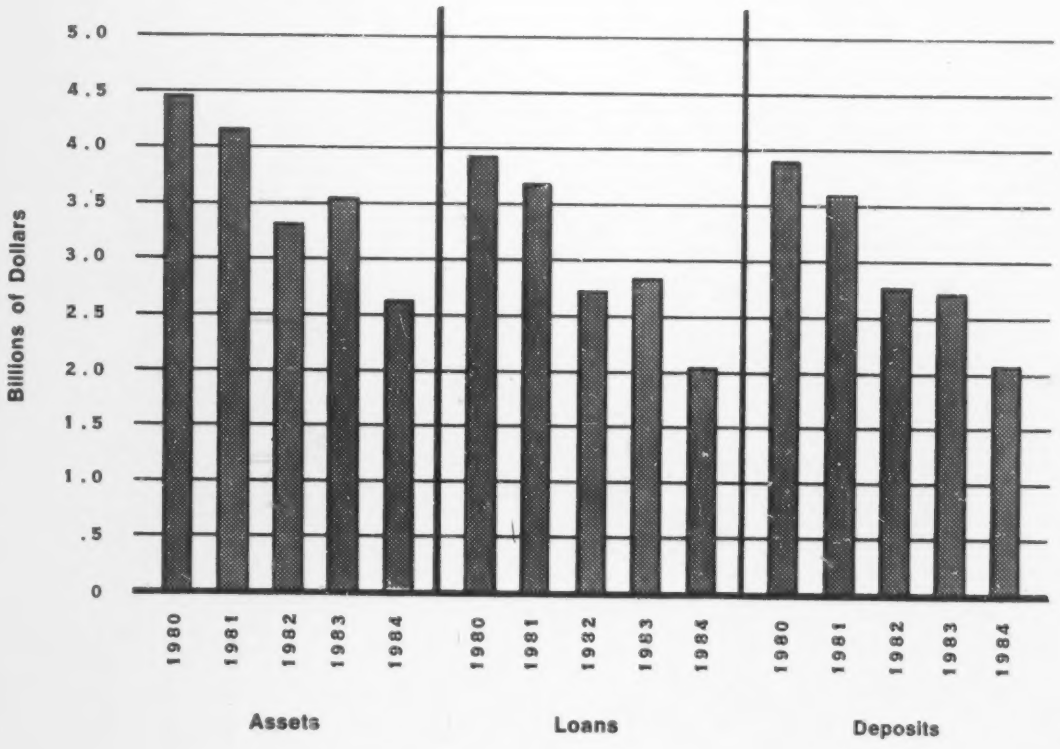
Mark-To-Market

In 1982, state-chartered associations were required to determine the discounted value of their qualifying loans and mark them to market value. Specific balance sheet and income statement accounts were required to be established for this accounting. Due to deregulation and perceived weaknesses in the program, the program was rescinded effective August 27, 1984.

Savings and Loan Policies

Ultimate responsibility for an association resides with its board of directors. Policy development, approval, and review provide ideal mechanisms for the board to use in meeting its responsibility. The Financial Institutions Bureau has adopted a program which emphasizes compliance with board policies. Accordingly, in 1984, Supervisory Letters were issued addressing the areas of net worth, investments, and service corporations. These Supervisory Letters were issued to assist each board in formulating its policies.

COMPARATIVE CHART OF ASSETS, LOANS AND DEPOSITS OF STATE SAVINGS AND LOAN ASSOCIATIONS IN MICHIGAN



NOTES REGARDING SAVINGS AND LOAN ASSOCIATION FINANCIAL INFORMATION

Absent additional disclosures and clarifications, the following financial and statistical information would be misleading or present a distorted picture. Therefore, the reader should be aware of these considerations:

1. The "Percentage Increase (Decrease)" figures presented in the Consolidated Balance Sheets, Statements of Operation and Comparative Asset Total Schedule are mere mathematical calculations. The totals for each year are derived from varying institution populations and consequently are not useful for making comparative analyses. The schedules only reflect the aggregates at year end and have not been adjusted for conversions, mergers, etc.

2. The "Other Non-Operating Income" figure for 1983 reported in the Consolidated Statement of Operations of State Savings and Loan Associations is skewed because of one transaction. One association holding approximately one-third of the state associations' total assets sold ten branch offices. This transaction resulted in approximately $24 million of income being recognized. Adjusting for this transaction would result in a percentage increase in net income rather than a decrease.

3. Undivided Profits and Reserves listed in the liabilities and net worth portion of the Reports of Condition for State and Federal Associations includes such items as subordinated debt, appraised equity capital, net worth certificates, accrued net worth certificates, and income capital certificates.

4. Total Assets, as reported in the Reports of Condition for Federal Associations, is inclusive of non-Michigan assets. First Federal of Michigan has offices in Virginia and South Carolina and Standard Federal Savings and Loan Association has offices in Indiana.

5. Branch information excludes non-Michigan offices.

CONSOLIDATED BALANCE SHEET OF STATE SAVINGS AND LOAN ASSOCIATIONS

(000's Omitted)

	20 Associations December 31, 1983	20 Associations December 31, 1984	Percent Increase (Decrease)
ASSETS			
Mortgage Loans and Contracts	$2,764,344	$1,965,113	(28.9%)
Other Loans	52,471	71,466	36.2
Real Estate Owned and In Judgment	30,688	11,644	(62.1)
Real Estate for Development	3,423	2,076	(39.4)
Cash on Hand and in Banks	58,408	66,484	13.8
Investment Securities	390,388	393,463	0.8
Office Buildings and Equipment (Net)	48,063	29,989	(37.6)
Investments in Service Corporations	6,639	5,677	(14.5)
Other Assets	161,864	64,222	(60.3)
Total Assets	$3,516,288	$2,610,134	(25.8)
LIABILITIES AND NET WORTH			
Time Deposits	$1,994,161	$1,246,850	(37.5%)
Passbook and NOW Accounts	716,936	816,327	13.9
Total Savings Accounts	$2,711,097	$2,063,177	(23.9)
Borrowed Money	605,629	415,205	(31.4)
Advance Payments by Borrowers for Taxes and Insurance	14,674	10,980	(25.2)
Other Liabilities	35,944	28,570	(20.5)
Deferred Taxes	8,381	2,125	(74.6)
Total Liabilities	$3,375,725	$2,520,057	(25.3)
General Reserves and Undivided Profits	$ 114,726	$ 67,334	(41.3)
Net Worth Certificates	500	875	75.0
Capital Stock	8,467	9,528	12.5
Capital in Excess of Par	16,870	12,340	(26.9)
Total Net Worth	$ 140,563	$ 90,077	(35.9)
Total Liabilities and Net Worth	$3,516,288	$2,610,134	(25.8)

CONSOLIDATED STATEMENT OF OPERATIONS OF

STATE SAVINGS AND LOAN ASSOCIATIONS

(000's Omitted)

	1983	1984	Percent Increase (Decrease)
INCOME			
OPERATING INCOME			
Interest on:			
Mortgage Loans and Contracts	$247,563	$197,728	(20.1%)
Other Loans	5,572	7,238	29.9
Investments and Deposits	42,579	47,652	11.9
Total Interest	$295,714	$252,618	(14.6)
Loan Fees and Charges	12,086	7,673	(36.5)
Other Operating Income	9,018	6,398	(29.1)
Total Operating Income	$316,818	$266,689	(15.8)
NON-OPERATING INCOME			
Profit on Sale of Assets	$ 11,565	$ 7,852	(32.1)
Other Non-Operating Income	24,830	165	(99.3)
Total Non-Operating Income	$ 36,395	$ 8,017	(78.0)
Total Income	$353,213	$274,706	(22.2)
EXPENSE			
OPERATING EXPENSE			
Salaries, Wages, Fees and Benefits	$ 23,430	$ 20,449	(12.7%)
Directors, Officers and Employees Expense Accounts	680	739	8.7
Professional, Advisory, Audit and Supervisory Expenses	1,222	1,349	10.4
Office Occupancy Expense	5,088	3,925	(22.9)
Furniture, Fixtures and Equipment Expense	4,295	4,188	(2.5)
Advertising	2,492	2,003	(19.6)
Other Operating Expense	15,392	11,412	(25.9)
Total Operating Expense	$ 52,599	$ 44,065	(16.2)
COST OF MONEY			
Interest on Deposits	$234,021	$178,295	(23.8)
Interest on Borrowed Money	32,316	40,359	24.9
Total Cost of Money	$266,337	$218,654	(17.9)
NON-OPERATING EXPENSE			
Income Taxes:			
Federal Income Tax	$ 1,539	$ 2,801	82.0
State and Local Income Tax	12	(123)	(1,125.0)
Total Income Tax	$ 1,551	$ 2,678	72.7
Losses and Provision for Losses	3,409	598	(82.5)
Other Non-Operating Expense	936	1,088	16.2
Total Non-Operating Expense	$ 5,896	$ 4,364	(26.0)
Total Expense	$324,832	$267,083	(17.8)
NET INCOME	$ 28,381	$ 7,623	(73.1)

CONSOLIDATED BALANCE SHEET OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS

(000's Omitted)

	32 Associations December 31, 1983	33 Associations † December 31, 1984	Percent Increase (Decrease)
ASSETS			
Mortgage Loans and Contracts	$14,560,674	$17,304,438	18.8%
Other Loans	783,318	995,063	27.0
Real Estate Owned and in Judgment	121,399	102,231	(15.8)
Real Estate for Development	7,104	8,699	22.5
Cash on Hand and in Banks	209,049	154,143	(26.3)
Investment Securities	3,857,468	4,452,561	15.4
Office Buildings and Equipment (Net)	276,700	301,867	9.1
Investments in Service Corporations	37,803	68,424	81.0
Other Assets	1,335,891	1,270,508	(4.9)
Total Assets	$21,189,406	$24,657,934	16.4
LIABILITIES AND NET WORTH			
Deposits	$15,865,854	$17,249,366	8.7%
Borrowed Money	4,369,361	6,115,959	40.0
Advance Payments by Borrowers for Taxes and Insurance	107,419	102,157	(4.9)
Other Liabilities	248,901	372,006	49.5
Deferred Taxes	29,217	13,844	(52.6)
Total Liabilities	$20,620,752	$23,853,332	15.7
General Reserves and Undivided Profits	$ 474,434	$ 691,191*	45.7
Net Worth Certificates	575	575	---
Capital Stock	141	4,811	3,312.1
Capital in Excess of Par	93,504	108,025	15.5
Total Net Worth	$ 568,654	$ 804,602	41.5
Total Liabilities and Net Worth	$21,189,406	$24,657,934	16.4

*Includes $20,000 Qualifying Subordinated Debentures and $36,467 Appraised Equity Capital

CONSOLIDATED STATEMENT OF OPERATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS

(000's Omitted)

	1983	1984	Percent Increase (Decrease)
INCOME			
OPERATING INCOME			
Interest on:			
Mortgage Loans and Contracts	$1,447,756	$1,768,891	22.2%
Other Loans	68,745	101,168	47.2
Investments and Deposits	331,992	508,267	53.1
Total Interest	$1,848,493	$2,378,326	28.7
Loan Fees and Charges	76,720	73,297	(4.5)
Other Operating Income	40,639	65,537	61.3
Total Operating Income	$1,965,852	$2,517,160	28.0
NON-OPERATING INCOME			
Profit on Sale of Assets	$ 78,802	$ 80,740	2.5
Other Non-Operating Income	8,023	3,065	(61.8)
Total Non-Operating Income	$ 86,825	$ 83,805	(3.5)
Total Income	$2,052,677	$2,600,965	26.7
EXPENSE			
OPERATING EXPENSE			
Salaries, Wages, Fees and Benefits	$ 117,480	$ 136,848	16.5%
Directors, Officers and Employees Expense Accounts	1,829	2,740	49.8
Professional, Advisory, Audit and Supervisory Expenses	4,159	3,554	(14.5)
Office Occupancy Expense	25,933	32,202	24.2
Furniture, Fixtures and Equipment Expense	21,075	26,032	23.5
Advertising	9,827	12,259	24.7
Other Operating Expense	64,133	83,008	29.4
Total Operating Expense	$ 244,436	$ 296,643	21.4
COST OF MONEY			
Interest on Deposits	$1,355,069	$1,592,369	17.5
Interest on Borrowed Money	409,350	601,733	47.0
Total Cost of Money	$1,764,419	$2,194,102	24.4
NON-OPERATING EXPENSE			
Income Taxes:			
Federal Income Tax	$ 10,446	$ 12,552	20.2
State and Local Income Tax	9	563	6,155.6
Total Income Tax	$ 10,455	$ 13,115	25.4
Losses and Provision for Losses	24,983	23,375	(6.4)
Other Non-Operating Expense	2,448	14,342	485.9
Total Non-Operating Expense	$ 37,886	$ 50,832	34.2
Total Expense	$2,046,741	$2,541,577	24.2
NET INCOME	$ 5,936	$ 59,388	900.5

REPORTS OF CONDITION - DECEMBER 31, 1984

STATE SAVINGS AND LOAN ASSOCIATIONS

ASSETS

(000's Omitted)

Name and Location of Association	Cash And Securities	Mortgage Loans And Contracts	Other Loans	Fixed Assets And Real Estate	Other Assets	Total Assets
USM Savings and Loan Association, Ann Arbor	$ 47,526	$ 270,283	$ 615	$ 1,670	$20,572	$ 340,666
Peoples Savings and Loan Association of Battle Creek, Battle Creek	8,188	84,373	1,098	4,235	2,956	100,850
Mutual Savings and Loan Association, Bay City	129,197	710,780	14,168	12,371	15,578	882,094
United Savings and Loan Association, Farmington Hills	27,075	3,715	28	289	1,735	32,842
Hastings Savings and Loan Association, Hastings	3,459	30,626	188	437	415	35,125
Ottawa Savings and Loan Association, Holland	24,203	155,882	3,978	2,448	2,058	188,569
Iron Savings and Loan Association, Iron River	1,650	5,892	169	92	64	7,867
Security Savings and Loan Association, Jackson	62,047	110,653	16,185	3,173	4,100	196,158
Marshall Savings and Loan Association, Marshall	3,489	22,940	2,636	488	246	29,799
Central State Savings and Loan Association, Mount Clemens	12,670	89,143	7,932	2,509	5,494	117,748
New Buffalo Savings and Loan Association, New Buffalo	3,668	27,981	2,294	1,671	274	35,888
Sterling Savings and Loan Association, Pontiac	13,138	3,304	728	533	2,559	20,262
Macomb Savings and Loan Association, St. Clair Shores	6,759	14,867	64	75	243	22,008
Peoples Savings Association, St. Joseph	7,432	108,828	1,820	3,632	2,873	124,585
St. Joseph Savings and Loan Association, St. Joseph	58,499	79,709	1,638	1,283	6,020	147,149
Franklin Savings and Loan Association, Southfield	21,269	49,941	6,736	347	890	79,183
Sturgis Savings and Loan Association, Sturgis	3,287	37,350	1,585	878	1,141	44,241
Three Rivers Savings and Loan Association, Three Rivers	13,970	55,624	1,965	2,570	1,754	75,883
Northwestern Savings and Loan Association, Traverse City	8,910	72,172	6,750	4,301	669	92,802
First Savings Association of Ypsilanti, Ypsilanti	3,511	31,050	889	707	258	36,415
TOTALS - 20 ASSOCIATIONS	$459,947	$1,965,113	$71,466	$43,709	$69,899	$2,610,134

REPORTS OF CONDITION - DECEMBER 31, 1984

STATE SAVINGS AND LOAN ASSOCIATIONS

LIABILITIES AND NET WORTH

(000's Omitted)

Name and Location of Association	Passbook And NOW Accounts	Time Deposits	Borrowed Money	Other Liabilities	Common Stock	Capital In Excess Of Par	Undivided Profits And Reserves
USM Savings and Loan Association, Ann Arbor	$ 3,001	$ 249,695	$ 75,886	$ 3,907	$1,200	$ 5,179	$ 1,798
Peoples Savings and Loan Association of Battle Creek, Battle Creek	25,940	65,865	6,500	1,007	-0-	-0-	1,538
Mutual Savings and Loan Association, Bay City	521,304	33,009	292,371	14,283	-0-	-0-	21,127
United Savings and Loan Association, Farmington Hills	210	30,024	-0-	120	2,410	602	(524)
Hastings Savings and Loan Association, Hastings	10,087	22,021	-0-	228	-0-	-0-	2,789
Ottawa Savings and Loan Association, Holland	47,941	129,478	1,036	1,998	-0-	-0-	8,116
Iron Savings and Loan Association, Iron River	7,365	100	-0-	8	-0-	-0-	394
Security Savings and Loan Association, Jackson	17,739	162,038	4,083	909	438	2,660	8,291
Marshall Savings and Loan Association, Marshall	6,109	21,301	1,058	144	-0-	-0-	1,187
Central State Savings and Loan Association, Mount Clemens	17,684	73,461	17,841	6,168	1,200	475	919
New Buffalo Savings and Loan Association, New Buffalo	8,552	25,332	170	317	-0-	-0-	1,517
Sterling Savings and Loan Association, Pontiac	81	13,787	946	1,423	1,680	2,320	25
Macomb Savings and Loan Association, St. Clair Shores	4,132	15,206	427	846	-0-	-0-	1,397
Peoples Savings Association, St. Joseph	41,782	78,219	-0-	1,288	-0-	-0-	3,296
St. Joseph Savings and Loan Association, St. Joseph	20,143	111,483	4,141	4,445	-0-	-0-	6,937
Franklin Savings and Loan Association, Southfield	37,042	38,187	1,000	734	2,400	505	(685)
Sturgis Savings and Loan Association, Sturgis	5,990	36,017	-0-	408	-0-	-0-	1,826
Three Rivers Savings and Loan Association, Three Rivers	16,039	55,495	823	698	-0-	-0-	2,828
Northwestern Savings and Loan Association, Traverse City	15,893	65,844	4,919	1,606	200	599	3,741
First Savings Association of Ypsilanti, Ypsilanti	9,293	20,288	4,004	1,138	-0-	-0-	1,692
TOTALS - 20 ASSOCIATIONS	$816,327	$1,246,850	$415,205	$41,675	$9,528	$12,340	$68,209

REPORTS OF CONDITION - DECEMBER 31, 1984

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

ASSETS

(000's Omitted)

Name and Location of Association	Cash And Securities	Mortgage Loans And Contracts	Other Loans	Fixed Assets And Real Estate	Other Assets	Total Assets
First Federal Savings and Loan Association of Lenawee County, Adrian	$ 34,216	$ 125,507	$ 1,797	$ 2,515	$ 1,723	$ 165,758
Homestead Savings and Loan Association, F.A., Albion	4,103	19,155	338	1,276	260	25,132
First Federal Savings and Loan Association of Alpena, Alpena	9,978	48,453	709	1,645	825	61,610
Great Lakes Federal Savings and Loan Association, Ann Arbor	209,289	1,504,094	202,145	35,508	171,532	2,122,568
Bloomfield Savings & Loan Association, F.A., Birmingham	357,017	273,573	19,657	18,123	70,146	738,516
LaSalle Federal Savings and Loan Association of Buchanan, Buchanan	13,905	83,551	454	1,521	3,612	103,043
Eaton Federal Savings and Loan Association, Charlotte	19,123	58,299	2,066	1,230	718	81,436
Branch County Federal Savings and Loan Association, Coldwater	11,827	47,156	2,019	1,839	538	63,379
Dearborn Federal Savings and Loan Association, Dearborn	11,418	127,563	506	2,842	2,206	144,535
First Dearborn, F.A., Dearborn	32,231	221,610	585	4,019	32,436	290,881
Detroit Federal Savings and Loan Association, Detroit	34,238	64,502	20,874	3,028	8,173	130,815
First Federal of Michigan, Detroit	1,932,191	6,543,517	227,791	77,167	248,255	9,028,921
Home Federal Savings and Loan Association, Detroit	3,258	17,043	513	575	565	21,954
Metrobanc Federal Savings Bank, Grand Rapids	86,021	146,682	12,279	2,134	6,889	254,005
Mutual Home Federal Savings and Loan Association, Grand Rapids	49,139	237,623	31,441	18,435	4,058	340,696
West Side Federal Savings and Loan Association, Grand Rapids	5,224	59,657	-0-	1,346	610	66,837
Colonial Federal Savings and Loan Association, Grosse Pte. Woods	9,675	191,180	2,400	4,296	4,038	211,589
Detroit & Northern Savings, F.A., Hancock	132,582	993,507	15,250	30,363	86,914	1,258,616
First Federal Savings and Loan Association of Livingston County, Howell	36,959	104,923	1,699	3,098	2,574	149,253
Fidelity Federal Savings and Loan Association, Kalamazoo	36,347	130,165	3,729	3,912	11,372	185,525
First Federal Savings and Loan Association of Kalamazoo, Kalamazoo	124,226	377,797	17,651	8,125	10,173	537,972
Capitol Federal Savings & Loan Association, Lansing	59,581	357,965	3,403	7,903	13,205	442,057
Union Federal Savings, Lansing	21,040	105,464	1,943	2,417	9,593	140,457
Ludington Federal Savings and Loan Association, Ludington	7,198	22,887	235	504	425	31,249
Wolverine Federal Savings and Loan Association, Midland	7,886	78,650	3,054	1,777	2,300	93,667
Peoples Savings Bank, FSB, Monroe	73,796	206,730	32,694	6,222	4,981	324,423
Muskegon Federal Savings and Loan Association, Muskegon	15,245	200,175	4,906	9,082	3,613	233,021
First Federal Savings Bank & Trust, Pontiac	62,868	853,507	103,402	35,408	55,321	1,110,506

REPORTS OF CONDITION - DECEMBER 31, 1984

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

LIABILITIES AND NET WORTH

(000's Omitted)

Name and Location of Association	Total Deposits	Borrowed Money	Other Liabilities	Common Stock	Capital In Excess Of Par	Undivided Profits And Reserves
First Federal Savings and Loan Association of Lenawee County, Adrian	$ 146,100	$ 2,000	$ 2,795	$ -0-	$ -0-	$ 14,863
Homestead Savings and Loan Association, F.A., Albion	23,582	3	257	-0-	-0-	1,290
First Federal Savings and Loan Association of Alpena, Alpena	58,180	373	298	-0-	-0-	2,759
Great Lakes Federal Savings and Loan Association, Ann Arbor	1,577,772	417,586	48,438	32	24,879	53,861
Bloomfield Savings & Loan Association, F.A., Birmingham	643,760	59,161	7,823	3,544	9,175	15,053
LaSalle Federal Savings and Loan Association of Buchanan, Buchanan	99,282	25	1,285	-0-	-0-	2,451
Eaton Federal Savings and Loan Association, Charlotte	72,463	-0-	2,577	-0-	-0-	6,396
Branch County Federal Savings and Loan Association, Coldwater	60,719	-0-	352	-0-	-0-	2,308
Dearborn Federal Savings and Loan Association, Dearborn	125,005	10,324	4,100	-0-	-0-	5,106
First Dearborn, F.A., Dearborn	258,392	24,516	3,220	-0-	-0-	4,753
Detroit Federal Savings and Loan Association, Detroit	113,932	9,340	5,634	-0-	-0-	1,909
First Federal of Michigan, Detroit	4,551,103	3,990,330	241,197	99	66,635	179,557
Home Federal Savings and Loan Association, Detroit	20,312	-0-	275	-0-	-0-	1,367
Metrobanc Federal Savings Bank, Grand Rapids	227,332	5,965	2,999	1,126	5,346	11,237
Mutual Home Federal Savings and Loan Association, Grand Rapids	317,930	9,541	6,795	-0-	-0-	6,430
West Side Federal Savings and Loan Association, Grand Rapids	62,330	-0-	478	-0-	-0-	4,029
Colonial Federal Savings and Loan Association, Grosse Pte. Woods	177,952	22,488	6,370	-0-	-0-	4,779
Detroit & Northern Savings, F.A., Hancock	924,227	257,704	24,326	-0-	-0-	52,359
First Federal Savings and Loan Association of Livingston County, Howell	140,756	2,914	1,696	-0-	-0-	3,887
Fidelity Federal Savings and Loan Association, Kalamazoo	175,345	2,402	1,189	-0-	-0-	6,589
First Federal Savings and Loan Association of Kalamazoo, Kalamazoo	486,222	15,350	6,028	-0-	-0-	30,372
Capitol Federal Savings & Loan Association, Lansing	418,584	-0-	5,390	-0-	-0-	18,083
Union Federal Savings, Lansing	131,501	-0-	2,941	-0-	-0-	6,015
Ludington Federal Savings and Loan Association, Ludington	30,177	-0-	140	-0-	-0-	932
Wolverine Federal Savings and Loan Association, Midland	81,361	7,218	781	-0-	-0-	4,307
Peoples Savings Bank, FSB, Monroe	288,220	19,970	4,959	-0-	-0-	11,274
Muskegon Federal Savings and Loan Association, Muskegon	219,096	11,149	2,437	-0-	-0-	339
First Federal Savings Bank & Trust, Pontiac	723,939	340,328	18,051	-0-	-0-	28,188

REPORTS OF CONDITION - DECEMBER 31, 1984

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

ASSETS

(000's Omitted)

Name and Location of Association	Cash And Securities	Mortgage Loans And Contracts	Other Loans	Fixed Assets And Real Estate	Other Assets	Total Assets
Citizens Federal Savings and Loan Association of Port Huron, Port Huron	$ 24,630	$ 168,806	$ 54,541	$ 6,519	$ 3,358	$ 257,854
Family Federal Savings and Loan Association, Saginaw	78,670	236,813	6,472	10,768	24,547	357,270
Down River Federal Savings and Loan Association, Taylor	65,605	355,632	3,240	20,745	5,931	451,153
Guaranty Federal Savings and Loan Association, Taylor	8,885	170,245	48,686	2,968	17,713	248,497
Standard Federal Savings and Loan Association, Troy	1,028,333	3,172,007	168,584	85,487	530,328	4,984,739
TOTALS - 33 ASSOCIATIONS	$4,606,704	$17,304,438	$995,063	$412,797	$1,338,932	$24,657,934

REPORTS OF CONDITION - DECEMBER 31, 1984

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

LIABILITIES AND NET WORTH

(000's Omitted)

Name and Location of Association	Total Deposits	Borrowed Money	Other Liabilities	Common Stock	Capital In Excess Of Par	Undivided Profits And Reserves
Citizens Federal Savings and Loan Association of Port Huron, Port Huron	$ 245,698	$ -0-	$ 3,303	$ -0-	$ -0-	$ 8,853
Family Federal Savings and Loan Association, Saginaw	342,179	10,069	2,706	-0-	-0-	2,316
Down River Federal Savings and Loan Association, Taylor	375,802	35,000	20,024	-0-	-0-	20,327
Guaranty Federal Savings and Loan Association, Taylor	211,654	29,752	2,036	10	1,990	3,055
Standard Federal Savings and Loan Association, Troy	3,918,459	832,451	57,107	-0-	-0-	176,722
TOTALS - 33 ASSOCIATIONS	$17,249,366	$6,115,959	$488,007	$4,811	$108,025	$391,766

COMPARATIVE STATISTICAL DATA

State-Chartered Savings and Loan Associations

	12-31-80	12-31-81	12-31-82	12-31-83	12-31-84
Number of associations	30	26	21	20	20
Number of branches	181	167	128	120	82
Number of savings accounts	710,148	715,737	538,453	475,363	313,560
Total savings accounts*	$3,850,692	$3,636,951	$2,732,720	$2,711,097	$2,063,177
Average savings account balance	$ 5,422	$ 5,081	$ 5,075	$ 5,704	$ 6,580
Total assets*	$4,450,313	$4,190,972	$3,266,177	$3,516,288	$2,610,134
Number of mortgage loans and contracts outstanding	146,794	137,828	93,859	98,370	57,456
Number of new mortgage loans and contracts (year)	11,631	6,808	3,580	11,715**	9,510
Amount of new mortgage loans and contracts (year)*	$ 480,511	$ 266,431	$ 117,978	$ 691,221	$ 466,054
Ratio of mortgage loans & contracts to total assets	85.7%	86.8%	80.6%	78.6%	75.3%
Ratio of cash and securities to total savings	10.8%	8.8%	14.0%	16.6%	22.3%
Ratio of borrowed money to total assets	6.3%	9.7%	12.0%	17.2%	15.9%
Ratio of net income (year) to average assets (year)	0.01%	(1.08%)	0.11%	1.42%	0.33%
Total interest paid or credited to savers (year)*	$ 316,665	$ 392,211	$ 289,183	$ 234,021	$ 178,295
Total net worth*	$ 228,657	$ 166,354	$ 90,195	$ 140,564	$ 90,077
Ratio of net worth to total assets	5.1%	4.0%	2.8%	4.0%	3.5%
Ratio of net worth to total savings	5.9%	4.6%	3.3%	5.2%	4.4%
Number of associations offering EFT	0	0	0	2	3
Number of associations offering NOW accounts	0	23	19	19	19
Number of associations offering trust services	0	1	7	2	3

*000's Omitted

**Estimated

COMPARATIVE ASSET TOTALS AND ANNUAL ASSET INCREASE (DECREASE)

State-Chartered Savings And Loan Associations

1975 - 1984

Year Ended	Total Assets	Annual Assets Increase or (Decrease)	
December 31, 1975	$2,720,864	($101,337)	(3.6%)
December 31, 1976	$2,865,700	$144,836	5.3%
December 31, 1977	$3,352,130	$486,430	17.0%
December 31, 1978	$3,764,746	$412,616	12.3%
December 31, 1979	$4,115,281	$350,535	9.3%
December 31, 1980	$4,450,313	$335,032	8.1%
December 31, 1981	$4,190,972	($259,341)	(5.8%)
December 31, 1982	$3,266,177	($924,795)	(22.1%)
December 31, 1983	$3,516,288	$250,111	7.7%
December 31, 1984	$2,610,134	($906,154)	(25.8%)

STATE SAVINGS AND LOAN ASSOCIATIONS

	1980	1981	1982	1983	1984
Number of Savings and Loan Associations - January 1	31	30	26	21	20
Plus: Charters granted	2	0	1	1	2
Conversions - Federal to State	0	0	0	0	0
Less: Mergers	3	4	3	1	0
Conversions - State to Federal	0	0	3	1	2
Number of Savings and Loan Associations - December 31	30	26	21	20	20

CHARTER APPLICATIONS

	1980	1981	1982	1983	1984
Charters Approved - Mutual/Capital Stock					
State	0/1	0/0	0/2	0/3*	0/2
Federal	0/0	0/0	3/0	0/2	0/5
Charters Denied - Mutual/Capital Stock					
State	0/0	0/0	0/0	0/0	0/0
Federal	0/0	0/0	0/0	0/0	0/0
New Savings and Loan Associations Opened - Mutual/Capital Stock					
State	0/2	0/0	0/1	0/1	0/2
Federal	0/0	0/0	0/0	0/2	0/5

*Includes one phantom savings and loan association

SAVINGS AND LOAN ASSOCIATIONS AND BRANCH OFFICES

	1980	1981	1982	1983	1984
Savings and Loan Associations - Mutual					
State	24	22	16	15	13
Federal	*	33	32	28	26
Federal Savings Banks	---	---	---	2	2
Branches - Mutual					
State	157	147	108	102	67
Federal	*	410	454	389	392
Savings and Loan Associations - Capital Stock					
State	6	4	5	5	7
Federal	0	0	0	2	4
Federal Savings Banks	---	---	---	---	1
Branches - Capital Stock					
State	24	20	20	18	15
Federal	0	0	0	90	169

*Not available

NEW STOCK ASSOCIATIONS

Date Effective	Name of Association	Location
Feb. 14, 84	United Savings and Loan Association	31731 Northwestern Highway Farmington Hills, MI
July 23, 84	Sterling Savings and Loan Association	2986 Walton Boulevard Waterford Township Pontiac, MI

MERGERS IN WHICH RESULTING INSTITUTION IS A STATE SAVINGS AND LOAN ASSOCIATION

	1980	1981	1982	1983	1984
Merger Applications	2	2	0	1	0
Mergers Approved	3	1	1	1	0
Mergers Denied	0	0	0	0	0
Mergers Completed	3	1	1	1	0

MERGERS IN WHICH RESULTING INSTITUTION IS A FEDERAL SAVINGS AND LOAN ASSOCIATION

	1980	1981	1982	1983	1984
Merger Applications	2	5	2	1	0
Mergers Approved	0	3	6	1	0
Mergers Denied	0	0	0	0	0
Mergers Completed	0	3	6	1	0

CONVERSIONS

	1980	1981	1982	1983	1984
State Mutual to State Stock	1	0	1	0	1
State Stock to State Mutual	0	0	0	0	0
State Charter to Federal Charter	0	0	3	1	2
Federal Charter to State Charter	0	0	0	0	0
Federal Mutual to Federal Stock	0	0	0	2	2
Federal Stock to Federal Mutual	0	0	0	0	0
Federal Association to Federal Savings Bank	---	---	---	2	1

CONVERSIONS FROM STATE TO FEDERAL

Mar. 30, 84	Birmingham	Bloomfield Savings & Loan Association	Bloomfield Savings & Loan Association, F.A.
Feb. 29, 84	Hancock	Detroit & Northern Savings & Loan Association	Detroit & Northern Savings, F.A.

CONVERSION FROM STATE MUTUAL TO STATE STOCK

Date Effective	City	Name of Association
July 6, 84	Jackson	Security Savings and Loan Association

CONVERSIONS FROM FEDERAL MUTUAL TO FEDERAL STOCK

Date Effective	City	Name of Association
Jan. 6, 84	Ann Arbor	Great Lakes Federal Savings and Loan Association
Mar. 16, 84	Grand Rapids	Grand Rapids Mutual Federal Savings and Loan Association

RELOCATION OF MAIN OFFICE

Date Effective	Name and Location of Association	From	To
Aug. 3, 84	Empire of America, FSA	Southfield, MI	Buffalo, NY

Association withdrew membership from Federal Home Loan Bank of Indianapolis effective August 3, 1984; now with Federal Home Loan Bank of New York.

ASSOCIATION NAME CHANGES (STATE & FEDERAL)

Date Effective	City	From	To
Mar. 30, 84	Birmingham	Bloomfield Savings & Loan Association	Bloomfield Savings & Loan Association, F.A.
Mar. 16, 84	Grand Rapids	Grand Rapids Mutual Federal Savings and Loan Association	Grand Rapids Federal Savings Bank
June 20, 84	Grand Rapids	Grand Rapids Federal Savings Bank	Metrobanc Federal Savings Bank
Feb. 29, 84	Hancock	Detroit & Northern Savings & Loan Association	Detroit & Northern Savings, F.A.

BRANCH APPLICATIONS

	1980	1981	1982	1983	1984
Branch Applications - Mutual/Capital Stock					
State	5/1	4/1	3/1	11/12	1/2
Federal	16/0	11/0	0/0	1/0	0/1
Branches Approved - Mutual/Capital Stock					
State	6/1	3/0	3/1	11/12	0/2
Federal	25/0	10/0	1/0	0/0	3/12
Branches Denied - Mutual/Capital Stock					
State	0/0	0/1	0/0	0/0	0/0
Federal	0/0	0/0	0/0	0/0	0/0
Branches Opened - Mutual/Capital Stock					
State	6/1	5/1	0/1	11/12	0/2
Federal	33/0	13/0	5/0	0/0	1/15

BRANCH OFFICES ESTABLISHED

Date Effective	Name of Association	City-Main Office	Location of Branch
Nov. 5, 84	Sterling Savings and Loan Association	Pontiac	31255 Southfield Road Beverly Hills, MI
Aug. 17, 84	Franklin Savings and Loan Association	Southfield	25811 West 12 Mile Road Southfield, MI

BRANCH OFFICE CLOSED

Date Effective	Name of Association	City-Main Office	Location of Branch
Sept. 30, 84	Peoples Savings and Loan Association of Battle Creek	Battle Creek	9016 East D Avenue Richland, MI

SAVINGS AND LOAN ASSOCIATIONS AUTHORIZED TO EXERCISE TRUST POWERS (Corporate and Personal)

Date Effective	Name of Association	City
Mar. 29, 84	Capitol Federal Savings & Loan (Full Trust Powers)	Lansing
June 27, 84	Northwestern Savings and Loan Association	Traverse City

OFFICE OF POLICY AND CONSUMER AFFAIRS

Murray E. Brown
Deputy Commissioner

POLICY DIVISION

Russell E. LaCoursier
Economic Analyst

The Policy Division analyzes legislation which would affect financial institutions or users of financial services. Most of the division's research projects are conducted in support of its legislative function -- analyzing and drafting legislation and testifying at hearings. The division also coordinates the Bureau's consumer education function and is responsible for handling consumer complaints and inquiries involving such topics as usury, due-on-sale, mortgage escrow accounts, and electronic funds transfer services.

Major Research Activities

The division completes research projects at the request of the Commissioner or a Deputy Commissioner. Much of the research is conducted in order to enable the Commerce Department to formulate positions on proposed legislation. In other cases, the division conducts research to determine whether and to what extent a problem can be addressed through legislative changes. One such study completed by the division was the report of the Sale of Checks Advisory Committee published in December 1984. This study was undertaken after money orders, sold by Metro Express Money Order Corporation of Southfield, were presented to the Michigan State Treasurer and certain Detroit area utilities and returned because of a lack of sufficient funds in the bank to pay the checks. The Commissioner issued a notice of revocation ordering Metro Express to immediately cease and desist from any further sales of money orders. Metro Express later voluntarily surrendered its license.

The advisory committee was formed to explore ways to strengthen the Sale of Checks Act (not amended since its passage in 1960) in order to better protect the members of the public which rely on these instruments. For details on the committee's recommendations, refer to the narrative in the Consumer Finance Section of this report.

Consumer Activities

The division's consumer education function covers two areas. First, it coordinates the Bureau's handling of consumer complaints and inquiries involving financial services offered by financial institutions. Second, the division publishes brochures and fact sheets on financial topics.

Although the division published no brochures in 1984, it updated its table, Michigan Statutory Interest Rate Ceilings, which sets forth the rate ceilings contained in state law applicable to nearly all types of loans and other credit extensions and the impact of key federal provisions. It is hoped that the division will be able to publish a brochure on the electronic funds transfer law and on factors to consider in shopping for a checking account in 1985.

Table I presents the industry breakdown of the number of complaints and inquiries handled by the Bureau in 1983 and 1984. In 1984, the Policy Division and the four regulatory divisions handled or responded to 1,101 consumer complaints and inquiries,

which fell short of the 1,374 handled during 1983. Table II gives the most frequent categories of complaints and inquiries in 1984. As in 1983, usury was the most common topic of inquiry, owing to the complexity of the state and federal interest rate ceilings. The number of usury-related inquiries in 1984 was 462 as compared to 508 recorded in 1983. There were 38 complaints involving mortgage escrow accounts as compared to 35 handled in 1983.

TABLE I

Number of Complaints and Inquiries Received
By Industry Group

Industry Group	Complaints		Inquiries		Total	
	1983	1984	1983	1984	1983	1984
Banks	190	143	156	150	346	293
Credit Unions	116	81	64	39	180	120
Savings & Loans	29	25	14	17	43	42
Motor Vehicle Licensees	12	2	10	2	22	4
Regulatory Loan Licensees	17	0	10	0	27	0
Secondary Mortgage Licensees	3	1	9	0	12	1
Sale of Checks Licensees	0	0	0	2	0	2
Retailers, Mortgage Companies and Others	67	34	677	605	744	639
TOTALS	434	286	940	815	1,374	1,101

TABLE Ii

Most Frequent Types of Complaints and Inquiries
Received During 1984

Category	Complaints	Inquiries	Total
Usury	2	460	462
Mortgage Escrow Accounts	24	14	38
Credit Cards	26	9	35
Due-On-Sale Clauses	4	27	31
Savings Accounts	20	9	29
Installment Loans	19	5	24
Interest & Late Charges on Loans	12	12	24

URBAN INVESTMENT DIVISION

Daniel C. Tsai
Acting Director

Richard Redmond
Compliance Examiner

Marian Kummerl
Program Analyst

The Urban Investment Division (UID) was established in 1978 to administer and enforce provisions of Michigan's Anti-Redlining Law (Public Act No. 135 of 1977). This act prohibits geographic discrimination in mortgage and home improvement lending and requires lenders to disclose annually, by census tract or zip code, mortgage and home improvement loans made, the average contract terms for these loans, and the total number of loan applications denied and the reasons for denial.

In January 1985, the UID published its 1983 annual report. The report, which is the sixth to date, contained analyses of mortgage lending data, the number and disposition of complaints filed with the Bureau, the enforcement of Acts 77-79, 84, 86-88 of 1979 and the activities of voluntary mortgage review boards. The UID analyzed the lending data in relation to demographic and housing characteristics in Michigan's 12 major metropolitan areas including detailed analyses of the cities of Detroit, Pontiac, and Flint. The 1983 report also included a comparison of Michigan mortgage lending volume with that of the nation.

The data revealed that the number and total volume of mortgage loans in Michigan Standard Metropolitan Statistical Areas (SMSAs) surged above 1982 levels following three consecutive year to year declines. The total number of FHA/FmHA/VA loans increased 109.0% above the depressed level of 1982, while the number of conventional loans rose 200.6% and the number of home improvement loans advanced 39.0%.

In Michigan SMSAs, total 1 to 4 family mortgage lending more than tripled to nearly $2.5 billion in 1983 and the percentage gains registered by banks, savings and loan associations and mortgage companies were 112.3%, 307.4% and 189.2%, respectively. The percentage share of total 1 to 4 family mortgage lending accounted for by savings and loan associations in Michigan SMSAs climbed to 52.7% from 41.0% of one year earlier. The percentage gain in total 1 to 4 family mortgage lending of 108.2% posted nationally, though healthy, was less dramatic than the comparable rise in Michigan SMSAs. The percentage gains in total 1 to 4 family mortgage lending for banks, savings and loan associations and mortgage companies in Michigan SMSAs were markedly higher than their counterparts nationally. Savings and loan associations in Michigan SMSAs increased their 1 to 4 family mortgage lending 307.4% as compared with the 134.4% increase for savings and loan associations nationally. In 1983, savings and loan associations in Michigan SMSAs and nationally continued to account for the largest share of 1 to 4 family mortgage lending (52.7% and 40.4%, respectively).

The Bureau's analysis shows that during four of the last five years (1979-1983), the conventional mortgage foreclosure rates (number of foreclosures expressed as a percentage of single-family structures) in moderate-to-high minority tracts were lower than the foreclosure rates in low minority tracts in at least 8 of the SMSAs and cities analyzed. In 1981, for example, the percentage of conventional mortgage loan foreclosures in moderate-to-high minority tracts was lower than the percentage of conventional mortgage loan foreclosures in low minority tracts in 12 of the 15 SMSAs and cities analyzed. This result is contrary to the perception of some parties who believe that lending in moderate-to-high minority areas always

constitutes higher risk. The report stated that a possible explanation for this pattern may be that lenders have been more conservative in their lending decisions in moderate-to-high minority areas. These attempts to minimize risk may have resulted in lower foreclosure rates in some moderate-to-high minority areas. Differences among neighborhoods in the number of mortgages outstanding was also cited as a possible explanation. A similar pattern was observed in the foreclosure rates in low income and moderate-to-high income tracts. The report also indicated that during the 1979-83 period, the percentages of both conventional mortgage and home improvement loan applications denied were higher in moderate-to-high minority tracts than the corresponding percentages of loan applications denied in low minority tracts for nearly all of the SMSAs and cities analyzed. The report cited the higher denial rate along with the lower foreclosure rate as possibly reflecting more conservative lending policies in moderate-to-high minority and low income areas than in other areas . This indicated a need for more in-depth analysis in the areas where the disparity existed to determine whether the data reflect discriminatory lending practices.

The data also revealed that the percent of FHA/FmHA/VA loans made in moderate-to-high minority tracts generally exceeded the percent of single-family structures in those tracts, while the percent of conventional mortgage loans made in moderate-to-high minority tracts was generally less than the percent of single-family structures in those tracts. Specifically, in 1983, the percent of FHA/FmHA/VA loans made in moderate-to-high minority tracts was greater than the percent of single-family structures in those tracts for 9 of the 15 SMSAs and cities analyzed. Conversely, the percent of conventional mortgage loans made in moderate-to-high minority tracts was less than the percent of single-family structures in those tracts for 14 of the 15 SMSAs and cities analyzed. Similar patterns were observed in each of the previous Mortgage Anti-Redlining Annual Reports.

The report suggested that this may be another example of lenders' attempts to minimize risk in moderate-to-high minority neighborhoods. Lenders have shown greater willingness to make FHA/FmHA/VA loans, in part, because they are able to shift a greater portion of the risk to another party than is possible on conventional mortgage loans. The report noted that mortgage companies, which made nearly 90% of the total FHA and VA mortgage loans in the state in 1983, may be more active in moderate-to-high minority neighborhoods than in other neighborhoods. Another explanation offered for the percentages of FHA and VA loans in moderate-to-high minority neighborhoods was that mortgage applicants in moderate-to-high minority neighborhoods may find the terms of FHA and VA mortgage loans more attractive or acceptable.

During 1983, the Bureau responded to four complaints filed pursuant to the act. Three of the complaints were filed against mortgage companies, while the fourth complaint involved a federal savings and loan association. The investigations conducted by the Bureau did not produce evidence to support the allegations raised in the complaints, and the complaints were subsequently dismissed. The Bureau's limited complaint experience could be partially attributed to the volume of complaints handled by voluntary mortgage review boards (VMRBs). During 1983, VMRBs responded to 53 complaints filed pursuant to the act. The Detroit Mortgage Review Committee, which received 90% of the complaints in 1982, was the only review board which received complaints during 1983.

The Community Investment Advisory Committee (CIAC), which was formed in 1980, advises the commissioner on methods to improve the Mortgage Anti-Redlining Annual Report and suggests ways to make the Bureau's urban investment program more effective. Representatives of financial institutions, trade associations, local and statewide housing organizations, labor unions, and consumer protection agencies serve on the CIAC. The CIAC met three times during 1984, in February, May and September. The three meetings were very productive and the CIAC made numerous

recommendations to improve the Bureau's urban investment program.

On February 22, 1984, the committee met in Lansing and discussed the status of Senate Bill 431, a bill which would allow funds of the state or its political subdivisions to be deposited in financial institutions located outside the state. The committee opposed Senate Bill 431 which it felt might open the door to the exportation of tax-raised capital and lead to investments with a higher degree of risk. The CIAC supported a proposal to amend P.A. 135 to allow state-chartered savings and loan associations to file loan application registers maintained pursuant to federal regulations in lieu of FIB-132 disclosures. This would reduce the number of reports to state and federal regulatory agencies currently made by state-chartered savings and loan associations. The committee also discussed the idea of publishing a brochure for consumers on the purpose of VMRBs. This brochure was being discussed as a solution to a concern raised by the CIAC that many consumers were not aware of the existence and purpose of VMRBs. This brochure was published by the Bureau in January 1985.

During subsequent meetings, the committee discussed methods to improve the Mortgage Anti-Redlining Annual Report and increase the role of the Michigan State Housing Development Authority (MSHDA) in reinvestment efforts. The committee also reviewed criteria for VMRB practices and performance standards. These criteria served as the foundation for a VMRB survey which was conducted in late 1984.

Below is a current list of the members of the Advisory Committee:

Richard Baker, Statewide Coalition on Redlining and Neighborhoods

John Burmeister, Union Federal Savings

Richard Clifton, Security Savings and Loan Association

Linda Ewing, AFL-CIO

Mary Fowlie, Standard Federal Savings and Loan Association

Frank Garrison, United Auto Workers Union

Vicki Gillette, Michigan Housing Coalition

Larry Kish, Michigan Credit Union League

Michael Markovich, Lomas & Nettleton

Mittie Olion, New Detroit, Inc.

Jim Paquet, Michigan Consumers Council

Brandon Rogers, Brandon M. Rogers & Associates

Brenda Schneider, Manufacturers National Bank of Detroit

Wallace Tupper, Hillsdale State Savings Bank

Patricia Valerius, League of Women Voters

Daniel S. Voydanoff, National Bank of Detroit

CONSUMER FINANCE DIVISION

John W. Drury
Director

Michael Gomez
Examiner

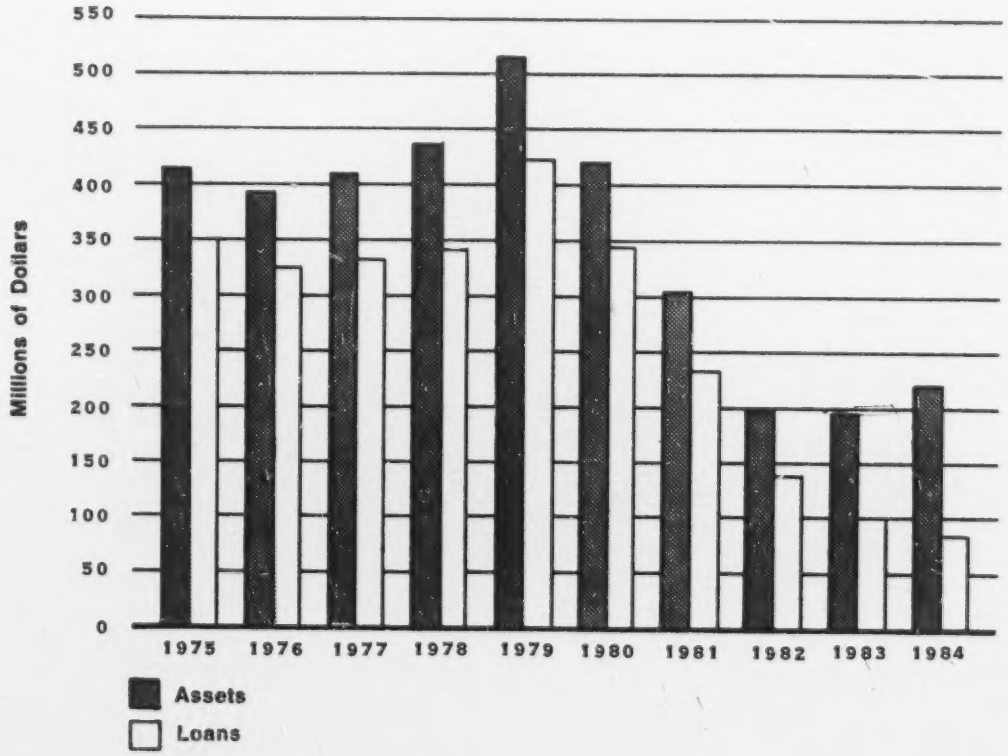
Todd C. Troutman
Examiner

Regulatory Loan Act

At year-end 1984 there were 72 regulatory loan licensees in Michigan, down from 88 at the end of 1983. During the year, 19 licenses were cancelled and 3 were issued. The net earnings of the industry showed a slight improvement over 1983, due in part to continued lower interest rates and improved efficiency of operations.

During the 77 examinations of licensees conducted in 1984, overcharges in the amount of $11,871.00 were found and subsequently refunded to borrowers.

COMPARATIVE CHART OF ASSETS AND LOANS OF REGULATORY LOAN LICENSEES IN MICHIGAN



Secondary Mortgage Act

Nineteen eighty-four continued to be an active year in this area. There were 23 new secondary mortgage licenses issued, 29 cancelled and 1 revoked during the year resulting in 75 licensees at year end.

The 81 examinations conducted in 1984 disclosed overcharges in the amount of $4,019.00 which were subsequently refunded to borrowers.

Two amendments to the Secondary Mortgage Act were signed into law in 1984. The first amendment, Public Act No. 124, permits employers to make secondary mortgage loans to employees for their housing needs. Near the end of the legislative session, Public Act No. 416 extended the sunset date of the 18% per annum interest rate ceiling to December 31, 1985, at which time the rate will revert to 15% per annum.

The Bureau conducted a survey of secondary mortgage licensees regarding their loans outstanding on December 31, 1984. The survey revealed that 3,084 accounts were outstanding in the amount of $45,003,064, that loans made during 1984 were charged interest rates ranging from 13% to the statutory maximum of 18%, and that four foreclosures occurred during the year. The average outstanding balance on a loan at year end was $14,592. The predominant purposes given for secondary mortgage loans were home improvement and bill consolidation.

Motor Vehicle Sales Finance Act

The Motor Vehicle Sales Finance Act provides for the licensing and examination of both motor vehicle dealers which finance the cars they sell (installment sellers) and sales finance companies which purchase installment contracts from installment sellers. At year-end 1984, there were 1,745 installment sellers, down one from 1983, and 1,939 sales finance companies (includes 1,680 state and national bank offices licensed as sales finance companies), up two from the previous year.

There was one investigation conducted and 11 dealers examined in 1984. Due to the lack of personnel for enforcement of this act, examinations and investigations are conducted only in response to complaints. The 11 dealer examinations and one investigation conducted during 1984 resulted in refunds to borrowers in the amount of $810,147.00.

The Motor Vehicle Sales Finance Act was amended in 1984 by Public Act No. 339 to allow savings and loan associations and credit unions to pay the same licensing fees as banks under the act.

Sale of Checks Act

The Sale of Checks Act regulates the sale of money orders, travelers checks and other instruments for the transmission or payment of money and provides for the examination of licensees. At year-end 1984 there were 15 licensees that sold over 26 million checks totaling $1.5 billion through 5,643 agents in Michigan. The division completed two examinations of licensees during the year.

Commissioner Kuthy, recognizing the need for revision and strengthening of the Act, appointed a Sale of Checks Advisory Committee in March of 1984. Several meetings were held and the advisory committee recommended significant changes in the Act, including a provision for extensive reporting on the financial condition of licensees, increased net worth and bonding requirements, and certain consumer protections and disclosures. The final report of the committee was issued in December of 1984, with anticipated introduction of the revisions recommended by the committee early in the 1985 session of the legislature.

Credit Card Act

A new regulatory act was signed into law on December 27, 1984 by Governor Blanchard which provides for the licensing and examination of non-depository issuers of credit cards. This law, Public Act No. 379, permits licensees to charge a maximum rate of 1.5% per month on the unpaid balance and also permits an annual membership fee.

CONSOLIDATED BALANCE SHEET

Regulatory Loan Licensees

(000's Omitted)

	December 31, 1983 88 Licensees	December 31, 1984 72 Licensees	Percent Increase (Decrease)
ASSETS			
Cash on hand and in banks	$ 654	$ 636	(2.8%)
Loans receivable	100,331	83,605	(16.7)
Real estate (less depreciation)	0	0	---
Furniture, fixtures and equipment (less depreciation)	0	0	---
Deferred charges and prepaid expenses	117	83	(29.1)
Other assets	594	1,086	82.8
Total Assets used in Regulatory Loan Business	101,696	85,410	(16.0)
Other Assets not used in Regulatory Loan Business	89,298	134,872	51.0
TOTAL ALL ASSETS	$190,994	$220,282	15.3
LIABILITIES AND CAPITAL			
Accounts and notes payable:			
Banks	$ 6,415	$ 4,883	(23.9%)
Due parent company or affiliate	38,409	32,900	(14.3)
Other short term notes and accounts	10,049	9,128	(9.2)
Bonds and long term notes	6,325	8,234	30.2
Other Liabilities:			
Accrued expenses	468	199	(57.5)
Dealer reserves	780	933	19.6
Other	1,581	436	(72.4)
Expense reserves:			
Reserves for licenses and taxes	148	260	75.7
Other expense reserves	1,296	1,089	(16.0)
Reserve for bad debts	2,047	1,242	(39.3)
Branch office capital	109,699	149,147	36.0
Net worth	648	630	(2.8)
Capital Stock:			
Preferred	817	763	(6.6)
Common	1,733	1,086	(37.3)
Appropriated surplus or capital reserves	4,377	4,135	(5.5)
Earned surplus (including undivided profits)	6,202	5,217	(15.9)
TOTAL LIABILITIES AND CAPITAL	$190,994	$220,282	15.3

CONSOLIDATED STATEMENT OF OPERATIONS

Regulatory Loan Licensees

(000's Omitted)

	1983	1984	Percent Increase (Decrease)
INCOME			
Charges collected and/or earned	$19,201	$15,024	(21.8%)
Collections on accounts previously charged off	1,838	1,827	(0.6)
Net income from credit insurance	0	0	---
Other income	3,220	1,357	(57.9)
Total income derived from Regulatory Loan Business	$24,259	$18,208	(24.9)
EXPENSE			
Advertising	$ 554	$ 370	(33.2%)
Amortization	0	0	---
Auditing	49	50	2.0
Bad debts:			
Charge offs	2,770	1,558	(43.8)
Additions to reserve for bad debts	1,593	389	(75.6)
Depreciation (furniture, fixtures and equipment)	79	96	21.5
Insurance and fidelity bonds	83	87	4.8
Interest on borrowed funds	5,711	6,730	17.8
Legal fees and disbursements	456	304	(33.3)
Postage and express	327	216	(33.9)
Printing, stationery and supplies	276	210	(23.9)
Rent, heat, light and janitor services	738	474	(35.8)
Salaries	4,948	3,752	(24.2)
Home office, parent company or management allocated charges	4,144	2,425	(41.5)
Licenses and taxes other than on income	285	187	(34.4)
Telephone and telegraph	490	332	(32.2)
Travel, automobile expense and allowance	142	81	(43.0)
Other expenses	816	584	(28.4)
Less total expenses of conducting Regulatory Loan Business (excluding income taxes)	$23,461	$17,845	(23.9)
Income before income taxes	$ 798	$ 363	(54.5)
Less income taxes	272	161	(40.8)
Net income derived from Regulatory Loan Business	$ 526	$ 202	(61.6)
Total income derived outside Regulatory Loan Business	$15,625	$22,899	46.6
Less expense (including interest on borrowed funds and income taxes)	14,162	19,661	38.8
Net income outside Regulatory Loan Business	$ 1,463	$ 3,238	121.3
NET INCOME	$ 1,989	$ 3,440	73.0

COMPARATIVE STATISTICAL DATA

Regulatory Loan Licensees

1975 - 1984

Year	Total Regulatory Loan Licenses	National Companies (1 or more offices)	Domestic Companies (1 or more offices)	New Licenses	Licenses Cancelled	Assets*	Loans* Outstanding	Reserve for Bad Debts*	Average Number of Open Accounts	Average Annual Expense per Account
1975	461	N/A	N/A	73	N/A	$410,714	$349,687	$10,869	452,205	$112.89
1976	415	N/A	N/A	12	N/A	391,028	326,921	9,753	396,373	115.87
1977	387	329	58	12	40	408,419	332,526	9,788	376,552	113.88
1978	375	321	54	43	55	435,085	341,166	9,557	379,277	112.98
1979	350	303	47	29	54	515,063	422,111	10,885	365,658	127.37
1980	271	229	42	23	102	420,187	342,213	8,370	329,028	129.81
1981	165	133	32	2	108	303,003	231,386	6,502	261,054	121.82
1982	104	76	28	8	69	195,952	138,111	4,909	161,560	140.09
1983	88	62	26	3	19	190,994	100,331	2,047	102,758	175.39
1984	72	49	23	32	48	220,282	83,605	1,242	70,371	160.26

*(000's Omitted)

COMPARATIVE SUMMARY OF LOANS OUTSTANDING AND EARNINGS

Regulatory Loan Licensees

1970 - 1984

(000's Omitted)

Year	Number of Licenses	Loans Outstanding December 31	Average Invested Assets	Total Gross Earnings	Net Earnings Before Interest Paid	Gross Earnings to Average Invested Assets	Net Earnings* to Average Invested Assets	Net Earnings**	Net Earnings** to Average Invested Assets
1970	626	$346,625	$365,306	$72,396	$19,092	19.81%	5.23%		
1971	595	332,115	381,379	69,991	21,634	18.35	5.67		
1972	597	395,161	397,046	74,381	23,991	18.73	6.04		
1973	593	412,374	433,592	81,820	30,272	18.64	6.98		
1974	550	391,783	445,643	83,432	31,116	18.72	6.98		
1975	461	349,687	406,339	74,904	23,853	18.43	5.87		
1976	415	326,921	356,701	68,222	22,292	19.13	6.25		
1977	387	332,526	351,956	67,324	24,442	19.13	6.94	$2,113	0.60%
1978	375	341,166	358,333	69,277	26,427	19.33	7.38	1,523	0.42
1979	350	422,111	401,148	77,141	31,298	19.23	7.80	(1,322)	(0.33)
1980	271	342,213	402,574	74,500	31,790	18.51	7.90	(5,332)	(1.32)
1981	165	231,386	302,724	56,803	25,001	18.76	8.26	(8,311)	(2.75)
1982	104	138,111	177,188	32,466	9,834	18.32	5.55	(6,240)	(3.52)
1983	88	100,331	109,377	24,259	6,237	22.18	5.70	526	0.48
1984	72	83,605	99,313	18,208	6,931	18.33	6.98	202	0.20

*Before interest paid
**After interest paid

AVERAGE INVESTED ASSETS - BASE FOR DETERMINING PROFIT PERCENTAGES

Regulatory Loan Licensees

	1983	1984
Total assets	$ 99,648,803	$84,167,960
Total assets from home office	11,475,439	3,333,891
Other assets	-0-	-0-
Total	$111,124,242	$87,501,851
Average invested assets	$109,377,080	$99,313,047
Percent of gross earnings derived from Regulatory Loan Business to average invested assets	22.18%	18.33%
Percent of net earnings derived from Regulatory Loan Business, before deducting gross cost of borrowed funds, to average invested assets	5.70%	6.98%

ANALYSIS OF EXPENSE PER ACCOUNT

Regulatory Loan Licensees

	1983 Loans $3,000 or less	1984 Loans $3,000 or less
Total operating income	$24,259,358	$18,208,188
Less: Net income before deducting interest on borrowed funds	6,236,941	6,930,692
Total expenses of conducting Regulatory Loan Business	$18,022,417	$11,277,496
Average number of accounts	102,758	70,371
Average annual expense per account	$ 175.39	$ 160.26
Average monthly expense per account	$ 14.62	$ 13.36

EXAMINATIONS, VIOLATIONS AND COMPLAINTS

Regulatory Loan Licensees

	Examinations	Violations of Laws Detected During Examinations	Violations of Rules Detected During Examinations	Consumer Complaints
1980	225	450	400	145
1981	190	465	400	70
1982	151	304	341	132
1983	92	160	212	13
1984	77	322	176	6

SECONDARY MORTGAGE LICENSEES

	1983	1984
Number of licenses	82	75
Number of new licenses issued	70	23
Number of licenses cancelled	7	30
Number of examinations conducted	25	81
Number of complaints	2	6

SALE OF CHECKS LICENSEES

	1980	1981	1982	1983	1984
Number of licenses	16	18	16	15	15
Number of new licenses issued	1	4	0	4	1
Number of checks sold	16,775,050	22,372,120	16,618,857	22,841,126	26,132,027
Amount of checks sold	$879,789,516	$1,201,467,520	$1,018,836,854	$1,285,368,252	$1,530,489,500
Number of examinations	0	1	2	3	2

MOTOR VEHICLE LICENSEES

	1980	1981	1982	1983	1984
Number of sales finance licenses	1,974	1,929	1,891	1,937	1,939
Number of installment seller licenses	2,189	1,966	1,764	1,746	1,745
Number of new sales finance licenses issued	121	104	60	119	74
Number of new installment seller licenses issued	205	148	138	170	185
Number of complaints	118	47	24	7	15

REGULATORY LOAN LICENSEES AS OF DECEMBER 31, 1984

Name of Licensee	City
American Fletcher Financial Services, Inc.	Adrian
Household Finance Corporation	Adrian
Town Finance Company, Inc.	Albion
Household Finance Corporation	Allen Park
American Fletcher Financial Services, Inc.	Battle Creek
FinanceAmerica Corporation	Battle Creek
Household Finance Corporation	Battle Creek
Michigan Loan Company of Battle Creek	Battle Creek
Household Finance Corporation	Bay City
Community Finance Company	Benton Harbor
Town Finance Company, Inc.	Big Rapids
Household Finance Corporation	Burton
Oliver Credit Corporation	Burton
Oliver Credit Corporation	Caro
Town Finance Company, Inc.	Charlotte
American Fletcher Financial Services, Inc.	Coldwater
Household Finance Corporation	Dearborn
Modern Finance Corporation	Detroit
American Fletcher Financial Services, Inc.	Dowagiac
Household Finance Corporation	East Detroit
Household Finance Corporation	Farmington
Household Finance Corporation	Ferndale
Barclays American/Financial, Inc.	Flint
Baxter Finance Corporation	Flint
Household Finance Corporation	Flint
Smith Loans, Inc.	Flint
Walter C. Wylie & Co.	Flint
FinanceAmerica Corporation	Flushing
Kearney Credit Incorporated	Fraser
Walter C. Wylie & Co.	Garden City
American Fletcher Financial Services, Inc.	Grand Rapids
FinanceAmerica Corporation	Grand Rapids
Household Finance Corporation	Grand Rapids
Walter C. Wylie & Co.	Hancock
American Fletcher Financial Services, Inc.	Hillsdale
American Fletcher Financial Services, Inc.	Holland
Town Finance Company, Inc.	Holland
Oliver Credit Corporation	Howell
Walter C. Wylie & Co.	Ishpeming
Household Finance Corporation	Jackson
FinanceAmerica Corporation	Kalamazoo
FinanceAmerica Corporation	Lansing
Household Finance Corporation	Lansing
Oliver Credit Corporation	Lansing
Oliver Credit Corporation	Lapeer
Ude Loans, Inc.	Lapeer
FinanceAmerica Corporation	Livonia
Household Finance Corporation	Livonia
Walter C. Wylie & Co.	Marquette
Household Finance Corporation	Monroe
Household Finance Corporation	Mt. Clemens
Household Finance Corporation	Muskegon
Muskegon Loan Co.	Muskegon
American Fletcher Financial Services, Inc.	Paw Paw
C.I.T. Financial Services, Inc. of Michigan	Pontiac
Household Finance Corporation	Pontiac
Household Finance Corporation	Portage
Household Finance Corporation	Port Huron
Capital Acceptance Corporation	Redford
Riverview Finance Company	Riverview
Household Finance Corporation	Roseville
Household Finance Corporation	Royal Oak
Household Finance Corporation	Saginaw
Walter C. Wylie & Co.	Sault Ste. Marie
Household Finance Corporation	Sterling Heights
Trenton Loan Company	Trenton
FinanceAmerica Corporation	Troy
Household Finance Corporation	Westland
Household Finance Corporation	Wyandotte
Household Finance Corporation	Wyoming
Household Finance Corporation	Ypsilanti
Quality Credit Company of Zeeland, Michigan, Inc.	Zeeland

SECONDARY MORTGAGE LICENSEES AS OF DECEMBER 31, 1984

Name of Licensee	City
American Fletcher Financial Services, Inc.	Adrian
Household Realty Corporation	Adrian
Household Realty Corporation	Allen Park
Triad Mortgage Corporation	Ann Arbor
American Fletcher Financial Services, Inc.	Battle Creek
FinanceAmerica Corporation	Battle Creek
Household Realty Corporation	Battle Creek
Household Realty Corporation	Bay City
Andrews University	Berrien Springs
Clarence Brinkman	Bloomfield Hills
Household Realty Corporation	Burton
Oliver Credit Corporation	Burton
Oliver Credit Corporation	Caro
American Fletcher Financial Services, Inc.	Coldwater
Household Realty Corporation	Dearborn
Vernick Finance Company	Dearborn Heights
American Fletcher Financial Services, Inc.	Dowagiac
Household Realty Corporation	East Detroit
Associates Financial Services Company, Inc.	Elkhart, IN
Household Finance Corporation	Elkhart, IN
Household Realty Corporation	Farmington
John Adams Mortgage Company	Farmington Hills
Household Realty Corporation	Ferndale
Barclays American/Financial, Inc.	Flint
Household Realty Corporation	Flint
FinanceAmerica Corporation	Flushing
Kearney Credit Incorporated	Fraser
American Fletcher Financial Services, Inc.	Grand Rapids
Citizens Plan, Inc.	Grand Rapids
FinanceAmerica Corporation	Grand Rapids
Fleet Mortgage Corporation	Grand Rapids
Household Realty Corporation	Grand Rapids
Household Finance Corporation of Wisconsin	Green Bay, WI
American Fletcher Financial Services, Inc.	Hillsdale
American Fletcher Financial Services, Inc.	Holland
Town Finance Company, Inc.	Holland
Oliver Credit Corporation	Howell
Household Realty Corporation	Jackson
FinanceAmerica Corporation	Kalamazoo
FinanceAmerica Corporation	Lansing
Household Realty Corporation	Lansing
Oliver Credit Corporation	Lansing
Oliver Credit Corporation	Lapeer
FinanceAmerica Corporation	Livonia
Household Realty Corporation	Livonia
Household Finance Corporation	Michigan City, IN
Norwest Mortgage, Inc.	Minneapolis, MN
Household Finance Corporation	Mishawaka, IN
Household Realty Corporation	Monroe
Household Realty Corporation	Mt. Clemens
Household Realty Corporation	Muskegon
American Fletcher Financial Services, Inc.	Paw Paw
Kasco Mortgage Corporation	Pleasant Ridge
C. I. T. Financial Services, Inc. of Michigan.	Pontiac
Household Realty Corporation	Pontiac
Household Realty Corporation	Portage
Household Realty Corporation	Port Huron
Household Realty Corporation	Roseville
Household Realty Corporation	Royal Oak
Household Realty Corporation	Saginaw
FinanceAmerica Corporation of Indiana	South Bend, IN
Household Finance Corporation	South Bend, IN
Allstate Enterprises, Inc.	Southfield
Citicorp Financial Center, Inc.	Southfield
Fleet Mortgage Corporation	Southfield
Merrill Lynch Mortgage Corporation	Stamford, CT
Household Realty Corporation	Sterling Heights
Associates Financial Services Company, Inc.	Toledo, OH
Household Finance Loan Corporation of Ohio	Toledo, OH
Household Finance Loan Corporation of Ohio	Toledo, OH
FinanceAmerica Corporation	Troy
Household Realty Corporation	Westland
Household Realty Corporation	Wyandotte
Household Realty Corporation	Wyoming
Household Realty Corporation	Ypsilanti

OFFICE OF ADMINISTRATION

Philip F. Rooney
Director

It is the function of the Office of Administration to direct, implement and monitor all of the Bureau's financial and personnel activities. Major administrative support units responsible to the director are the Automated Systems Division and the Reporting and Publications Division.

REPORTING AND PUBLICATIONS DIVISION

Edward H. Wichman
Director

Judie C. Wright
Analyst

Nancy J. Marquardt
Publications Coordinator

The Reporting and Publications Division is responsible for developing Bureau reports and publications, assessing bank examination fees, administering the micrographics, forms control, and records retention/disposal programs and providing assistance to the Director of the Office of Administration concerning internal operations and special projects. The division also handles inquiries and requests for statistical and financial information relating to state-regulated financial institutions.

Publications

The Annual Report of the Financial Institutions Bureau is published as of each calendar year by the division. Statistical and financial information summarizing the activities of the Bureau and the financial condition and operations of state-regulated financial institutions is provided in the report. Major developments and trends in financial regulation are also summarized. In addition to the annual report, an Abstract of Reports of Condition and Income of State Banks is published as of June 30 each year. The division obtains much of the bank financial data appearing in the annual report and abstract from the Federal Deposit Insurance Corporation through an "on-line" computer terminal.

Another publication issued by the division is a printing of the Michigan Banking Code of 1969. This loose-leaf edition of the code contains laws relating to state-chartered banks and includes sections on commissioner's rules and bank bulletins. Subscribers to this publication receive amendments to the code, commissioner's rules and bank bulletins as they become effective.

The division also is responsible for editorial contributions to the Michigan Department of Commerce (MDC) Annual Report and the MDC Economic Newsletter which is directed to Michigan businesses, professionals, trade groups and agencies whose actions affect the business community.

Statutory Bank Fees

Bank fees for annual examinations, excess examination hours, second examinations and penalties for late reporting are assessed and collected by the division in accordance with the provisions of the Banking Code.

Forms Control

During 1984, the Bureau continued its efforts to maintain only those public forms which most efficiently and effectively meet the criteria established by the Paperwork Reduction Act (P.A. 133 of 1982). Significant improvements have been made in several forms redesigned by the division's forms management staff. Such improvements include streamlining the language and format of various applications, simplifying instructions, combining and/or eliminating forms and reducing internal processing time and costs. Of the 211 public forms in use by the Bureau as of December 31, 1983, 123 had been eliminated and 22 redesigned by year-end 1984. All remaining public forms are scheduled for redesign, combination or elimination by December 31, 1985.

Micrographics Program

The Micrographics Unit was established by the division as a result of the growing volume of records which must be maintained by the Bureau to carry out its regulatory responsibilities. The conversion of Bureau records to microfilm has resulted in a more manageable and efficient storage and retrieval system. In addition, the microfilmed records have provided a more secure means of retaining confidential material. Duplicate copies of all microfilmed records produced by the unit are stored off-site for optimum security where they serve as a back-up to the Bureau's working file.

Bureau Service Functions

The division also provides a variety of service functions within the Bureau and these include:

Travel expense/state car assignments
Mail services
Revenue transactions
Bureau security systems
Equipment and supplies

AUTOMATED SYSTEMS DIVISION

Paul A. Tautkus
Director

Patricia K. Marson
ADP Examiner

Terry L. Hassell
ADP Examiner

Responsibilities of the Automated Systems Division include evaluating the security and control of data processing centers serving financial institutions and assisting in the development and implementation of computer programs and systems used by the Bureau.

Computer Center Evaluations

The data center evaluation program was resumed by the Bureau in 1981. During calendar year 1984, 21 computer center evaluations were conducted.

The purpose of an evaluation is to bring to the attention of management of a financial institution areas in data processing operations where exposure exists which could lead to incorrect, interrupted or discontinued processing. This evaluation does not ascertain the validity of system design, programming or information on file. The Federal Financial Institutions Examination Council's EDP Examination Handbook is used as a guide for the evaluation process.

The division will continue to devote most of its resources to the evaluation program in 1985, and has projected that 30 evaluations will be completed. Also, follow-up visitations will be conducted. Scheduling of

evaluations will be coordinated with the Federal Deposit Insurance Corporation, Federal Reserve System, National Credit Union Administration and the Bureau's Bank and Trust, Credit Union, and Savings and Loan Divisions. The division alternates its evaluations of data centers or performs evaluations jointly with the federal regulatory agencies. This eliminates duplicate evaluations by the Bureau and federal agencies.

Computer Systems

Automated Examination Systems (AES):

Under the AES program, certain credit unions periodically submit computer tapes containing relevant information on loans, and share and deposit accounts. The data are analyzed using the Bureau's computer programs to consolidate information on loan delinquencies, interest charges on loans and other pertinent information. This program permits the Bureau to conduct on-site examinations of participating credit unions more thoroughly and efficiently. The program has operated successfully for nine years.

Financial Institutions Bureau Identification File (FIBI):

A variety of information concerning regulated financial institutions is maintained on this file and is used to produce reports and listings which once were prepared manually. It is used to automate the printing of renewal notices and licenses, and some internal record keeping procedures for installment seller licensing.

Automated Annual Report System (AARS):

This system is used to edit and store information from annual and semi-annual reports submitted by financial institutions.

Various management reports are produced using combined information from FIBI and AARS.

OFFICE PERSONNEL

As of May 31, 1985

EUGENE W. KUTHY	COMMISSIONER
Peggy Bryson	Assistant to the Commissioner
Marcia Miller	Executive Secretary
RUSSELL S. KROPSCHOT	Chief Deputy Commissioner
Judy Baker	Executive Secretary
Diana Burns	Secretary
Cecilia Dungey	Secretary

OFFICE OF REGULATION

GARY K. MIELOCK	Deputy Commissioner
Judy Baker	Executive Secretary

Bank and Trust Division

Donald Mann	Director
Vacant	Assistant Director
Stephen Trembath	Senior Review Examiner
Joseph Petterson	Supervisor, Corporate Activities
Steven Cutshaw	Applications Coordinator
Linda Whitford	Corporate Activities Analyst
Marian Benjamin	Secretary
Carol Reist	Secretary
Patricia Welling	Secretary

Credit Union Division

Michael Fitzgerald	Director
Tim Standfest	Assistant Director
Nada Van De Moortel	Review Examiner
Deborah Koenigsknecht	Secretary
Esther Torres	Secretary
Theresa Wing	Secretary

Savings and Loan Divison

Darwyn Sanborn	Director
Linda Baldwin	Secretary

OFFICE OF POLICY & CONSUMER AFFAIRS

MURRAY E. BROWN	Deputy Commissioner

Policy Division

Russell LaCoursier	Economic Analyst

OFFICE OF POLICY & CONSUMER AFFAIRS (Cont.)

Urban Investment Division

Daniel Tsai	Acting Director
Richard Redmond	Compliance Examiner
Marian Kummerl	Program Analyst
June Clark	Secretary

Consumer Finance Division

John Drury	Director
Debra Tunks	Secretary
Ethel Caudill	Secretary

OFFICE OF ADMINISTRATION

PHILIP F. ROONEY	Director
Kathleen Simon	Assistant to Director
Judy Baker	Executive Secretary

Reporting and Publications Division

Edward Wichman	Director
Nancy Marquardt	Publications Coordinator
Judie Wright	Analyst
Joseph Barberio	Facilities Manager
Bertha Laskaris	Secretary
Mary Kosiara	Revenue Clerk
Rayola Lane	Mail Clerk
Patricia Thelen	Microfilm Machine Operator

Automated Systems Division

Paul Tautkus	Director
Cecilia Dungey	Secretary

APPENDIX

IN RE: APPLICATION OF THREE RIVERS SAVINGS AND LOAN ASSOCIATION TO INVEST FUNDS IN A SERVICE CORPORATION

Background Discussion

On October 17, 1983, Three Rivers Savings and Loan Association, 123 Portage Avenue, Three Rivers, Michigan, (Applicant) filed An Application To Invest In A Service Corporation. The purpose of the application is to permit Applicant, through its wholly-owned subsidiary, Alpha-Financial, Inc., to acquire Hackenberg-Schrieber Agency located at 122 Portage Avenue, Three Rivers. The proposed agency would engage in the sale of fire, casualty, life, workman's compensation, and other lines of personal and business insurance.

Section 714 of the Michigan Savings and Loan Association Act of 1980, as amended, 1980 PA 307, MCLA 491.402; MSA 23.602 (102); (the Act) provides that an association may invest in a service corporation in an amount not to exceed 3% of its total assets, subject to limitations and approvals established by rules promulgated by the supervisor. The commissioner of the Financial Institutions Bureau has promulgated Rules 60, 65, 70, and 75; R491.160, R491.165, R491.170 and R491.175 of the Michigan Administrative Code, relating to service corporations.

A service corporation is defined in section 150 of the Act as:

> "... a corporation organized under the laws of a state which engages in activities determined by the supervisor by order or rule to be incidental to the conduct of a savings and loan business as provided in this act or activities which further or facilitate the corporate purposes of an association, or which furnishes services to an association or subsidiaries of an association, the voting stock of which is owned directly or indirectly by 1 or more associations or federal associations."

The supervisor, defined as the commissioner of the Financial Institutions Bureau, in section 156 of the Act, has not yet determined by rule or order that the activities proposed by Applicant meet the criteria of section 150.

Because the application to invest in a service corporation which is to conduct insurance agency activities is being considered for the first time by the commissioner, substantial analysis of both the instant application and the underlying basis for the application is considered necessary. This analysis is more critical because the offering of insurance agency services has generated substantial interest by other associations, other types of financial institutions, all of the parties traditionally involved in the insurance business, regulators of financial institutions, Congress and the Michigan Legislature.

The commissioner has reviewed relevant federal regulations and is aware of proposed legislation on both the state and national level (HB 4722, SB 366 and SB 368 in the state legislature and in Washington, a bill introduced by Senator Garn, and a bill supported by the Administration). To date, none of these bills have been voted out of committee. At the federal level this issue is being debated as part of the greater issue of determining the proper activities and powers of financial institutions. Congress is discussing the relationship of banks and savings and loan associations to activities traditionally

conducted by the insurance, real estate and securities industries. For example, there is a bill in Congress to permit bank holding companies to sell insurance provided certain safeguards are applied to prevent consumer abuses.

Insurance companies, brokerage firms, retail firms, and real estate businesses are buying savings and loans. Savings and loans are using service corporations to acquire real estate firms and insurance agencies and to provide securities services. Much of this is being done as a step to providing a full range of financial services. The horizontal integration of financial services has been occurring for some time but is probably best known because of Sears Roebuck and Co. and its financial services network comprised of Allstate Insurance Company, Allstate Savings and Loan, Coldwell Bank, and Dean Witter and Reynolds. To date, it appears this cross-industry activity is more a result of market forces than any conscious pattern of legislative or regulatory policy.

Historically, savings and loans have focused upon home financing. The Federal Home Loan Bank System was established to encourage and support private sector financial institutions' assumption of the principal responsibility for home financing in their communities. However, the Preamble to the Garn-St. Germain Depository Institutions Act of 1982, Public Law 97-320; 96 Stat 1469, states, "An Act to revitalize the housing industry by strengthening the financial stability of home mortgage lending institutions and ensuring the availability of home mortgage loans." This federal act expanded the powers of savings and loans while retaining the focus on home loans. While the drafters of the Garn-St. Germain Conference Report indicated an intent to temporarily restrain the growth of new service corporation activities, they reaffirmed current activities as appropriate and necessary to the health of the industry and to the savings and loans' primary mission. Although the power to engage in insurance activities, as originally granted to federal savings and loan associations by The Federal Home Loan Bank Board (FHLBB), was reaffirmed by Congress, this issue has not yet been decided as regards state chartered savings and loan associations.

The dilemma now facing the commissioner is whether there should be an unquestioned following or lock-step adherence with the federal lead, or an independent review of this state's position in consideration of local law, policy and concerns. The latter alternative appears preferable in view of the following discussion.

As early as May 26, 1983, the commissioner recommended to the Director of the Department of Commerce that there be an inter-departmental review of financial institutions' insurance activities. Although there have been informal inter-agency discussions, there have been no formal actions taken. In the meantime, legislation was introduced in the Michigan Legislature as indicated previously. The Department of Commerce made comments on the proposed legislation and requested that a review of the issues involved precede further legislative action.

On June 29, 1983, Senate Concurrent Resolution No. 352 was introduced to establish a Joint Legislative Committee on the Regulation of Financial Institutions. The committee would, among other things, ". . gather information regarding needed changes in Michigan's financial system, including the relationship between banking, insurance, and investment banking." As of this date, the resolution has been adopted only by the Senate.

On October 18, 1983, the commissioner wrote to Senators John Kelly and Arthur Miller to recommend that legislative activity on the issue of cross-industry acquisitions be postponed pending a review of all relevant issues by the proposed Joint Committee. There has been no significant change in the status of these issues since that time.

Insurance Activities of State Chartered Savings and Loan Associations

As discussed above, there has been no recent action to evidence legislative policy at the state level. However, the Michigan Savings and Loan Association Act of 1980 does grant to the commissioner broad authority in section 150 in that permissible activities of a service corporation, rather than being listed in the statute, are to be determined by the commissioner by rule or order pursuant to the Act. The commissioner is of the opinion that this grant of authority was not intended by the Legislature to be a complete and untrammeled power but was intended to allow the flexibility necessary to make the relatively fixed statutory provisions fit the ever changing environment in which associations must operate. This opinion is reinforced by the recognition of the issues discussed above.

At the same time, the commissioner is charged, by the Act, with the responsibility for acting on applications filed by state chartered savings and loan associations, including the instant application. It is unfair to any applicant for the commissioner to avoid this responsibility by failing to act within a reasonable time after a review of the relevant issues.

Therefore, the commissioner will cautiously exercise the discretionary power granted by the act. However, the exercise of this power must be tempered by the issue in question, the facts explaining the issue, the particular institution(s) involved, type of activity proposed, and impact upon the public. The commissioner must of necessity move at a deliberate speed--small steps rather than large--or risk the adoption of an untenable position. The overriding concern is to prevent the consuming public from being abused but also to recognize the changing environment of financial institutions. Therefore, the ability to engage in insurance agency activities through a service corporation will be reviewed by the commissioner with discretion and restraint.

Inasmuch as this is an issue of first impression, it must first be determined by the commissioner, as a separate issue, whether insurance agency activities fit within the criteria of section 150 of the Act. If determined, by rule or order, that a corporation engages in activities incidental to the conduct of a savings and loan business, or which further or facilitate the corporate purposes of an association; or which furnish services to an association or its subsidiaries, the association may then seek permission to invest in it as a service corporation pursuant to the statute and applicable rules.

Having reviewed the provisions of section 150, the commissioner is of the opinion that it is necessary that only one of the definitional tests be met in order that a corporation qualify as a service corporation which may be owned by one or more state or federal associations. It is therefore possible that, in any particular set of activities, one or more of the criteria may be met. It is also reasonable to concentrate on that test to which the particular activity or activities most clearly relate. From the information currently available to the commissioner, it is not entirely clear that insurance agency activities would necessarily fall into the category of being incidental to the conduct of an association, nor do those activities appear to be a service to be provided to an association. However, it does appear appropriate to review insurance agency activities in regard to the question of whether they would further or facilitate the corporation purposes of an association. Therefore the following discussion will be limited to this issue.

Do Insurance Agency Activities Further or Facilitate the Corporate Purposes of a Savings and Loan Association?

The corporate purpose of a savings and loan association is conducting a savings and loan business. This is a statement of purpose that must be included in an association's articles of incorporation pursuant to section 310 of the Act. While a savings and loan business is not defined in the Act, an association is granted powers in section 500 of the Act as follows:

> "An association organized under this act shall have all of the powers enumerated, authorized, or permitted by this act, and incidental to those powers or reasonably necessary or appropriate to the accomplishment of the purpose of the association."

Although the language is somewhat circular, it is reasonable to assume, that as a minimum, the business of a savings and loan association is to exercise the powers granted by the Act. Consequently, the corporate purposes of an association would at least include the exercise of those powers.

It could be argued that any activity which would have a positive effect on an association's ability to accept deposits and make loans would further or facilitate its corporate purpose. As discussed above, the commissioner is of the opinion that such a connection must be tempered by a reasonableness test. Thus the phrase "further or facilitate", is subject to interpretation in view of the circumstances in which it applies.

The Revised Fourth Edition of Black's Law Dictionary states that "further" is "(n)ot word of strict legal or technical import . . ." As a verb, Webster's New Collegiate Dictionary defines it as, "to help forward", as in promote or advance. "Facilitate" is defined by Black's as, "(T)o make easy or less difficult, or to free from difficulty or impediment." Webster's states that it means, "to make easier". Therefore "further or facilitate" in this instance means to promote, advance, or forward the purposes of an association or to make it easier for it to conduct its business. While the exact definition may be subject to argument, it is clear that by the use of the words "further or facilitate", the Legislature intended that an activity not absolutely or directly related to the exercise of enumerated or incidental powers could be permitted. The conclusion is that a reasonable expansion of the traditional activities of a savings and loan association was contemplated by the Legislature.

In the exercise of its powers to provide financial services, an association makes various types of loans. Nearly all loan proceeds received by individuals are for purposes where a reasonable connection can be made to the products sold by general insurance agents or agencies. Loans for the purchase of real estate, personal property, education, etc., are a part of an individual's normal financial activities. Very often the property or service purchased with loan proceeds involves the purchase of insurance to protect against loss of life or property or to protect against some type of liability. Likewise, the other financial services provided by a savings and loan association are related to the conduct of the customer's financial affairs. The purchase of various types of insurance is often an integral part of a person's financial affairs and planning, both long and short term.

The Federal Home Loan Bank Board (FHLBB) has determined, by regulation, that engaging in insurance agency activities is permissible for federally chartered savings and loan associations' service corporations. Initially, the FHLBB had determined that it was an improper diversion of corporate activity for directors and officers of an association to

take advantage of a business opportunity for private benefit when the opportunity is of present or potential practical advantage to the association. The FHLBB then ruled insurance brokerage or agency activities to be reasonably related to the activities of federally chartered associations at 12 CFR 545.74.

On the other hand, subsidiaries of bank holding companies are limited as to the insurance activities in which they can engage by regulation section 225, 12 CFR 225.258, of the Board of Governors of The Federal Reserve. Most recently, the January 9, 1984 issue of The Wall Street Journal reported that the Federal Reserve Board had tabled requests by three bank holding companies to enter the insurance business by acquiring bank subsidiaries in South Dakota where, by state law, a bank may engage in insurance activities. One of the concerns cited is the "broader philosophical objections at the central bank to the continuing crossover of services among different financial institutions". The article also points out that there is likely to be increased "pressure for Congress to define just what financial institutions can do." Under state law, banks are specifically prohibited from operating an insurance underwriting business although they are granted the specific power to make application for and obtain insurance of loans. Sec. 151(16) of the Banking Code of 1969, MCLA 487.451(16); MSA 23.710(151)(16).

An insurance agency service corporation could provide multiple benefits for the parent association. Possible benefits include the ability to:

1. Increase revenue.
2. Increase net profits.
3. Improve utilization of fixed assets, especially the branch system.
4. Broaden diversification of services and thus reduce risk.
5. Increase operational efficiencies.
6. Restructure assets to reduce dependence upon fixed rate, long-term lending.

Each of these benefits further or facilitate the purposes of an association, if only indirectly, by furnishing a financially related service, by promoting the flexibility necessary for an association to react to changing customer needs and by allowing an association to continue to both compete with its various depository and non-depository financial institution competitors and still continue to provide the services for which it was organized. These benefits will also allow an association to provide an expanded level of related services to its customers.

The movement towards an expansion of financial services has been caused by a variety of factors, some of which are: changes in consumer attitudes and desires in a deregulated environment; the realization that insurance companies, securities brokers, banks, and others all provide financial services to their customers; financial expediency, i.e., looking for ways to increase profit margins; a desire to provide a broader range of services and thus, be more competitive; and a reaction to external market forces.

On balance, the argument that a savings and loan association insurance agency service corporation will "further or facilitate the corporate purposes of an association" are persuasive. The Act requires the commissioner to make a decision on an application and, as mentioned above, confers on the commissioner a great deal of discretion. Although there are both broad policy issues relating to permissible activities of an association as well as significant consumer issues associated with the exercising of those activities, it is the opinion of the commissioner that the limited activities of an insurance agency, the benefits attached thereto and the relationship to existing products of an association warrant a finding that the proposed activities will "further and facilitate" the corporate purposes of the Applicant.

Consumer Issues

The consumer issues involved in the situation where a financial institution is also directly or indirectly an insurance agency were a concern of the Financial Institutions Bureau even before the instant application was filed. In a protest of a similar application, which was withdrawn before a decision was published, counsel for 37 independent insurance agents elucidated these concerns in a written submission. In regard to the following discussion, it should also be noted that the Insurance Bureau of the Michigan Department of Licensing and Regulation was consulted and the assistance of that agency was of significant benefit.

In OAG 1981-1982, No. 5975, p 362 (September 10, 1981), the Attorney General was asked whether a subsidiary of a mortgage corporation may be licensed as an insurance agency for the purpose of offering property and casualty insurance to the mortgagors issued mortgages by the parent mortgage corporation. In that opinion, the Attorney General pointed out that 1956 PA 218, MCLA 500.100; MSA 24.1100; does not prohibit licensing a lender as an insurance agent. Citing OAG 1967-1968, No. 4614, p 225 (April 4, 1968), which recognized that a bank may be licensed as an insurance agent, the opinion pointed out that other considerations may limit or prohibit these activities. The discussion by the Attorney General more than adequately sets forth the various concerns and is attached to this order and incorporated herein by reference.

Without reciting all of the comments from OAG 5975, supra, it is important to recognize that any financial institution or service corporation which would be authorized to obtain an insurance agency license must comply with all application provisions of the Insurance Code, 1956 PA 218, as amended. Specifically, sections 1207(5), MCLA 500.1207(5); MSA 24.11207(5); and 2077, MCLA 500.2077; MSA 24.12077, prohibit coercion in the selling of insurance and unfair practices when acting as both a lender and an agent. The Attorney General concluded:

> "Accordingly it is my opinion that the Commissioner of Insurance may issue a license to a subsidiary, otherwise qualified as a mortgagee, to sell property and casualty insurance, but the subsidiary may not intimidate the borrower to purchase insurance from the lender or to use any information which is unavailable to competitors in order to secure an unfair advantage in the marketing of insurance."

The FHLBB recognized the same concerns as did the Attorney General. In 12 CFR 563.35, the FHLBB's regulation provides, in part:

> "(a) Tie-in prohibitions. No insured institution or service corporation affiliate thereof may grant a loan on the prior condition, agreement, or understanding that the borrower contract with any specific person or organization for the following:
>
> "(1) Insurance services (as an agent, broker, or underwriter), except insurance or a guarantee provided by a government agency or private mortgage insurance; . . .
>
> "(b) Notice with respect to insurance on home loans. An insured institution or subsidiary thereof shall notify the borrower in writing of his right to freely select the person or organization

> rendering the insurance service referred to in paragraph (a)(1) of this section in connection with a loan on a home . . ."

In addition to the provisions of other state and federal laws, the use of insider information by a savings and loan, to the unfair advantage of its competitors, is prohibited by section 428 of the Act. This section, in paragraph 2 states:

> ". . The accounts of depositors and borrowers shall be kept confidential by the association, its directors, officers, and employees . . "

This section would prohibit the association from providing confidential customer information to its service corporation for use by the service corporation.

The commissioner finds it appropriate to require a commitment from an applicant that it understands and will comply with the restrictions relating to these concerns. Any such application which is approved will be conditioned upon this commitment.

A final consumer concern relates to competition. It is a generally accepted economic tenet that more competition is good and actions which limit or impede competition are undesirable. Unfair competition, which includes reverse competition, is counterproductive because it restricts market access, penalizes and/or improperly influences the consumer, and fosters higher premiums, operating inefficiencies and/or inequities. While it is not within the scope of this Order to define unfair competition, recognition must be given to its potential for harm. Of note are the various types of unfair competition addressed in the Attorney General Opinion, supra.

Assuming there are to be adequate procedures to prevent unfair competition, an association should be allowed to engage in insurance agency activities and thus enable it to effect greater operating efficiencies, add consumer convenience, and permit lower premiums, all of which promote competition.

Insurance Agency Activities

In summary, the commissioner is of the opinion that under certain conditions, engaging in an insurance agency business is an activity which will further or facilitate the corporate purposes of an association. In the exercise of the discretion granted by the Legislature, the commissioner recognizes that associations chartered by this state need to find ways to diversify their services if they are to continue their primary purpose of making mortgage loans available to customers in their market area. In a changing economic system, it is important to make reasonable accommodations to those institutions which continue to serve their local markets and need the ability to react to and provide services to those local markets.

Three Rivers Savings and Loan Association

The commissioner must next determine that the Applicant has satisfied the criteria established by the statute and rules relating to investment in service corporations. The Applicant's investment in service corporations, including the proposed investment, amounts to approximately 0.60 per cent of its current assets. This is well within the limitations imposed by section 714 of the Act. The Applicant has, or will before it consummates its investment, satisfied the conditions set forth in the applicable rules. It

is anticipated that the proposed activities will not have a substantial impact on Applicant's safety and soundness and that the insurance agency will comply with applicable law.

Although Applicant, like most other associations, has suffered losses during 1981, 1982 and the first part of 1983, primarily due to a narrowing of interest margins, it has taken steps to shorten its asset maturities by utilizing, among other things, short-term balloon mortgages. Applicant's net worth account, while depressed due to prior year's losses, remains adequate in consideration of its operations and in relation to other savings and loan associations. Applicant's management is considered capable to administer the relatively small increase in risk associated with the proposed investment in its service corporation. Examinations show no areas of extraordinary concern. Therefore the application to invest in the service corporation may be approved.

Although it is clear that Applicant's proposed insurance agency will be subject to, and must comply with, applicable insurance law and rules, the commissioner will require certain conditions to be met by the Applicant. Because of the concerns set forth above and incorporated from OAG 5975, supra, the Applicant shall furnish the commissioner with a business plan for the insurance agency service corporation. The business plan shall:

A) Evidence the commitment of Applicant's Board of Directors to comply with applicable laws, regulations, or rules by formal action of the Board.

B) Establish and commit to policies and procedures designed to ensure compliance with laws, regulations and rules including, but not necessarily limited to:

1. Where the purchase of insurance is optional, Three Rivers will avoid discussing the borrower's purchase of insurance until after the application for the loan has been approved.

2. Where the purchase of insurance is optional, Three Rivers will inform the borrower that it is optional.

3. Three Rivers will not require a borrower to negotiate any policy or contract of insurance through a particular insurance agent or with a particular insurer. Three Rivers will not directly or indirectly require that a borrower pay a consideration of any kind to substitute the insurance policy of one insurer for that of another.

4. Where an instrument requires that a purchaser, mortgagor, or borrower furnish insurance of any kind on real property being conveyed which is collateral security to a loan, Three Rivers shall refrain from using or disclosing any such information to its own advantage or to the detriment of the purchaser, mortgagor, borrower, insurance company, or agency complying with such a requirement. To avoid any improper use of insider information:

a) Three Rivers may not utilize its knowledge of who is purchasing a car, a mobile home, real estate, or other tangible property, to solicit the borrower to purchase insurance or to refer the borrower to its service corporation or the insurance agency owned by the service corporation.

b) Three Rivers and its service corporation shall not supply a list of its borrowers who are in need of or who may want insurance to the insurance agency owned by the service corporation.

5. Where a borrower inquires whether he or she can buy insurance from an affiliate of Three Rivers, Three Rivers may inform the borrower, where it is true, that the borrower may secure insurance through the insurance agency of the service corporation, but Three Rivers shall at all times advise the borrower that the purchase of insurance from this agency is optional, will not affect the approval of a loan, and should the insurance be purchased from this agency, the borrower is free to substitute the policy with a comparable one from another company.

The commissioner, if satisfied with Applicant's business plan, will direct Bureau examiners to periodically ascertain that Applicant is in compliance with its plan, policies and procedures. The commissioner will also utilize the findings and facilities of the Insurance Bureau, as appropriate, in determining whether Applicant's service corporation is operating properly. In this regard, it is worthwhile to emphasize rule 75, supra, which provides that the commissioner may order discontinuance of the association's investment in the service corporation if the service corporation engages in any unauthorized activity or violates any applicable statute or rule.

As discussed above, the novelty of this application, the concern of the commissioner that the exercise of discretion must be reasonable and the consumer issues involved dictate that each application be reviewed and acted upon individually. Therefore, the commissioner reserves the right to limit the precedent value that may attach to this order to the discussion of the issues set forth. Furthermore, it is intended that future applications of this type will be subject to similar analysis of the specific circumstances involved.

IT IS HEREBY ORDERED that the Application of Three Rivers Savings and Loan Association to Invest Funds in a Service Corporation is APPROVED subject to the conditions set forth in this order. Applicant shall have complied with all requirements of this Order before engaging in insurance agency activities through its service corporation.

DEPARTMENT OF COMMERCE
FINANCIAL INSTITUTIONS BUREAU

Dated: February 16, 1984

Eugene W. Kuthy
Commissioner

ATTORNEY GENERAL OPINION NO. 5975

SUBJECT: INSURANCE: LICENSING OF SUBSIDIARY OF A MORTGAGE COMPANY AS AN INSURANCE AGENCY

DATE: Sept. 10, 1981

The Commissioner of Insurance may issue a license to a subsidiary, otherwise qualified as a mortgagee, to sell property and casualty insurance, but the subsidiary may not intimidate the borrower to purchase insurance from the lender or to use any information which is unavailable to competitors in order to secure an unfair advantage in the marketing of insurance.

William S. Ballenger, Director
Department of Licensing and Regulation
320 N. Washington
Lansing, Michigan 48909

My opinion has been requested as to whether a subsidiary of a mortgage corporation may be licensed as an insurance agency for the purpose of offering property and casualty insurance to the mortgagors issued mortgages by the parent mortgage corporation.

The Commissioner of Insurance, pursuant to 1956 PA 218, as amended; MCLA 500.100 *et seq;* MSA 24.1100 *et seq,* has plenary authority over the licensing of insurance agents and solicitors. A perusal of 1956 PA 218, *supra,* fails to reveal any prohibition against licensing a lender as an insurance agent. In fact, OAG 1967-1968, No 4614, p 225 (April 4, 1968), recognized that the Insurance Commissioner may license a bank as an insurance agent but MAC 1979, R 501.6 prohibited the payment of commissions. Various provisions of 1956 PA 218, *supra,* which regulate the marketing practices of agents, also recognize that a lender may also be an agent. 1956 PA 218, ch 12, *supra,* sets forth certain limitations on the activities of licensed insurance agents and solicitors who lend money. 1956 PA 218, § 1207(5); MCLA 500.1207(5); MSA 24.11207(5), provides:

> "A person may not sell or attempt to sell insurance by means of intimidation or threats, whether express or implied. Except as provided in subsection (4) of section 2077 a person may not induce the purchase of insurance through a particular agent or from a particular insurer by means of a promise to sell goods, to lend money, to provide services, or by a threat to refuse to sell goods, to refuse to lend money or to refuse to provide services."

Whether there is implied intimidation or improper inducement involved in the sale of property insurance to a mortgagor by the subsidiary agent of a mortgage company must be determined from the facts of each case. However, in order to avoid even the appearance of coercion, a lender who is selling insurance should avoid discussing the borrower's purchase of insurance until after the application for the loan has been approved. The borrower should at all times be advised that the purchase of insurance from the lender is optional, will not affect the approval of the loan, and should the insurance be purchased from the lender, the borrower is free to substitute the policy with a comparable one from another company.

Furthermore, a lender who is also licensed as an insurance agent must comply with 1956 PA 218, § 2077; MCLA 500.2077: MSA 24.12077, which specifically relates to the lending of money and the sale of insurance:

> "(1) No person shall *require,* as a condition precedent to the lending of money or extension of credit, or any renewal thereof, that the person, to whom such money or credit is extended or whose obligation the creditor is to acquire or

finance, *negotiate any policy or contract of insurance through a particular insurance agent* or with a particular insurer. No person engaged in the business of financing real or personal property other than motor vehicles or of lending money or extending credit, shall directly or indirectly require that the borrower pay a consideration of any kind to substitute the insurance policy of 1 insurer for that of another.

"(2) If an instrument requires that a purchaser, mortgagor or borrower furnish insurance of any kind on real property being conveyed or which is collateral security to a loan, the vendor, or mortgagee or lender *shall refrain from using or disclosing any such information to his own advantage* or to the detriment of the purchaser, mortgagor, borrower, insurance company or agency complying with such requirement.

"(3) This section shall not be construed as forbidding the vendor or creditor from exercising a reasonable right to approve or disapprove the insurance *selected by the debtor* for protection of the property securing the credit or lien, but the vendor or creditor shall not disapprove a policy which contains coverages in excess of the basic coverage required by the vendor or creditor.

"(4) Nothing in this section shall forbid any insurer from requiring as a condition precedent for the lending of its own funds that the debtor insure his own life for a reasonable amount with such insurer.

"(5) Each violation of this section shall be a misdemeanor, punishable by a fine of not more than $100.00." (Emphasis added.)

1956 PA 218, § 2077, *supra,* clearly provides that it is an unfair trade practice if a creditor requires that a policy of insurance be negotiated through a particular insurance agent or company. Furthermore, the lender is required to refrain from using or disclosing any inside information for its own advantage. The reason for this prohibition is twofold. First, a lender who is also an insurance agent has an obvious and distinct marketing advantage over other insurance agents. By knowing who is purchasing a car, a mobile home, or real estate, the lender may immediately solicit the borrower to purchase insurance. If the loan requires that the borrower continuously maintain insurance, which is the case in most secured loans, the borrower is likely to be persuaded by the convenience afforded by having the lender make the insurance arrangements, particularly if the lender is willing to finance the insurance or allow the borrower to include the insurance premiums in monthly loan payments.

A second reason for prohibiting lenders from using "inside information" to secure the purchase of insurance is that it may ultimately lead to a lack of competition or even "reverse competition." Reverse competition is most prevalent in the credit life insurance industry where a lender purchases a group contract and in turn enrolls borrowers into the group. The lender is often motivated to sell a policy which provides the highest commission rather than one which provides the lowest premiums or highest benefits to the insured. This phenomenon of reverse competition was described in *Alinco Life Insurance Co* v *United States,* 373 F2d 336, 338 (footnote 3) (Court of Claims, 1967), as follows:

"[Since] the premium for credit life insurance is generally paid by the borrower, and since the lender's remuneration is generally a percentage thereof, the higher the gross premium, the greater will be the profit to the lender who procures the policy. Therefore, some lenders (or sellers) in seeking to increase their remuneration for the procurement of such insurance tend to place their business with the insurance company that charges the highest gross premium. An experienced lender (or seller) can generally foresee that, since the borrower's (or purchaser's) interest lies in the consummation of the primary transaction of loan (or installment sale), he is not likely to go out 'shopping' elsewhere for a lower premium rate assuming he is interested in acquiring any credit life insurance at all. Thus, it is reasonable to anticipate that, in most instances, a borrower desiring to cover his loan with credit life insurance will

consummate the entire transaction with his creditor in preference to making any independent analysis or comparison of credit life premiums available elsewhere. This situation is sometimes referred to as 'reverse competition' and is one of the factors leading to the contention by some persons that premium overcharging is a common abuse in the selling of credit life insurance."

By permitting a lender to use inside information in the process of selling property and casualty insurance, the bureau is sanctioning the unfair advantage enjoyed by the licensed agent/lender over insurance agents who either do not have access to list of persons in need of insurance or the ability to solicit them at the most propitious moment. As a result, the existing structure of insurance marketing could be changed with serious deleterious results to the consumer.

Accordingly it is my opinion that the Commissioner of Insurance may issue a license to a subsidiary, otherwise qualified as a mortgagee, to sell property and casualty insurance, but the subsidiary may not intimidate the borrower to purchase insurance from the lender or to use any information which is unavailable to competitors in order to secure an unfair advantage in the marketing of insurance.

FRANK J. KELLEY
Attorney General

IN RE: APPLICATION OF BLOOMFIELD SAVINGS AND LOAN ASSOCIATION FOR CONVERSION TO A FEDERAL CHARTER

Introduction

On December 5, 1983, the Financial Institutions Bureau received a letter dated December 3, 1983 from Paul L. Triemstra, BROMBERG, ROBINSON, SHAPERO, COHN & BURGOYNE, P.C. indicating that Bloomfield Savings and Loan Association (Bloomfield), had filed an application with the Federal Home Loan Bank Board (FHLBB) to convert from a Michigan stock association to a Federal stock association. The letter enclosed copies of Bloomfield's Application for Conversion to a Federal Stock Association filed with the FHLBB on October 21, 1983, a letter dated November 28, 1983, from the FHLBB approving the application, and a check for $200.00 representing the filing fee.

Mr. Triemstra's letter was in response to a letter dated December 2, 1983 from Phillip H. Dunnebacke, Financial Institutions Bureau, to Kenneth J. Robinson, Chief Executive Officer of Bloomfield, outlining the procedural steps necessary to convert to a federal charter pursuant to sections 806 and 810 of the Savings and Loan Association Act of 1980, as amended, 1980 PA 307, MCLA 491.102; MSA 23.602(102); (the Act). Section 806 of the Act provides that an association desiring approval of the supervisor shall file copies of all documents that evidence preliminary approval of the conversion by federal supervisory authorities as well as other documentation.

Background

Organization

To put the instant application into perspective, a brief history of Bloomfield and its basis for organization is helpful. On December 20, 1979, the organizers of Bloomfield filed an application to organize a capital stock association at 6801 Telegraph Road, Bloomfield Township, Michigan. At that time, savings and loan associations were subject to 1964 PA 156, MCLA 489.901; MSA 23.540(101). Public Act 156, which was the predecessor of the Act, supra, at section 506, provided, in part:

> "If it appears to the supervisory authority that the incorporation and operation of the association is warranted by conditions prevailing in the area where the association proposes to operate and that it is in the public interest and of benefit to its depositors, that the character, responsibility and general fitness of the organizers are such as to command confidence and warrant belief that the business of the association will be honestly and efficiently conducted . . . the supervisory authority shall approve the application and articles of association."

The application for the de novo capital stock association defined the service area (that area from which 75% or more of the proposed association's deposits would be generated) as Beverly Hills, Birmingham, Bloomfield Hills, Bloomfield Township, Franklin, Orchard Lake, Bingham Farms, and West Bloomfield Township, all of which are in Oakland County. The proposed association's economic survey indicated, in relation to the housing market and the need for mortgage financing, as follows:

> "The single-family residential market is also strong in Bloomfield and West Bloomfield Townships where single-family home construction exceeded apartment construction by approximately four homes to each apartment constructed between 1970 and 1979. Therefore the immediate service area constitutes a fertile ground for residential mortgage lending."

The organizers intended to operate, again according to their economic survey report, in this manner:

> "In contrast with the mass marketing approach of the three large banks and one large savings and loan in the area of the proposed location, this Association will pursue a highly personal, small-town approach to marketing. The Board of Directors, the officers, and the staff will all promote this approach throughout the service area and with their numerous business and social contacts. This small-town approach is consistent with the state chartered system for savings and loan associations and should provide a competitive advantage in the service area of the proposed Association. There is no state chartered association office in the immediate area of the proposed location."

The organizers forecasted that in the first three years of operation, Bloomfield would grow as follows:

	Total Deposits	Total Loans
End of First Year	$ 2,500,000	$ 2,500,000
End of Second Year	6,000,000	6,000,000
End of Third Year	11,000,000	11,000,000

These representations and projections indicated the intention to operate in accordance with the definition of a stock association, found at section 501 of 1964 PA 156, which provided in part:

> "A capital stock association . . . is a financial institution incorporated under the provisions of this act having for its purposes the encouragement of home financing, the accumulation of funds through the issuance and sale of its stock, the acceptance of deposits and such other accounts as may be authorized . . . and the loaning of funds so accumulated in accordance with the powers conveyed by this act to mutual associations."

The predecessor Act, 1964 PA 156, and the rules promulgated thereunder made it clear that a savings and loan association was expected to serve its local community. For example, Rule 145, R 489.545, of the Michigan Administrative Code, defined an association's lending area as " . . . the entire State of Michigan plus that area, if any, outside the state within a radius of 100 miles of the home office of the association."

Based upon a finding that the statutory criteria was met, including deposit insurance and capital adequacy requirements, the commissioner approved the application to organize on March 4, 1980.

Thereafter, the organizers of Bloomfield began their stock offering. Their Offering Circular indicated that the association "... intends to engage in the savings and loan business primarily in the Birmingham/Bloomfield metropolitan area..." Further, it stated, "... the principal business of the Association will be to obtain deposits from residents of the communities which are served by the Association and to make real estate loans on residential and other real estate..."

On December 20, 1982, Bloomfield was issued its Certificate of Authority to Commence Business and it began to engage in the savings and loan business.

Detroit & Northern

On April 22, 1983, Bloomfield filed an application to acquire ten offices of Detroit & Northern Savings & Loan Association. These ten offices were all located within the Detroit Standard Metropolitan Statistical Area. The Act, at section 522, authorizes the commissioner to approve a branch office if it "... has a reasonable probability of success, and that the net worth of the association is adequate with respect to the general operating policies and financial condition of the association.."

In regard to the acquisition of these ten branches, Bloomfield filed a Synopsis of Merger Plan and Management Plan of Bloomfield Savings April 15, 1983. Part II A2 of the "Synopsis" labeled "Future" stated:

> "BSA intends to generate mortgages within its service area communities using adjustable rate mortgages, selling these originations in the secondary market, retaining servicing and using the funds received to generate more mortgages. This will keep the dollar value current and will enable a much wider community mortgage base. BSA will generate a profit from servicing fees and origination fees. BSA intends to offer a variety of consumer and business loans. These types, although not a major portion of the portfolio, will enable BSA to better serve its communities by offering a diverse range of lending services."

The terms of the acquisition, as stated in the Synopsis, were explained as follows:

> "In consideration therefor, Bloomfield will assume all liabilities and obligations of D&N for the Detroit Division Savings Deposits in an amount aggregating approximately $191,000,000 as of the purchase agreement date; such amount will be finalized at closing. The agreement provides that Bloomfield will receive 100% of such deposits less a discount factor to be determined in accordance with the terms contained therein."

Bloomfield's Community Reinvestment Act (CRA) statement, submitted as part of the application, disclosed that "... the association plans to grow by offering a wide range of services to our customers including a lending program designed to help meet the credit needs of its community, including low and moderate income neighborhoods."

The acquisition of the ten offices would have resulted in an unacceptably low level of net worth if a capital infusion had not occurred. Absent an increase in net worth, the application would have been denied. Bloomfield provided net worth in the form of a $6 million subordinated note as permitted by Section 516 of the Act, which states, "The amount of outstanding capital notes, bonds, or debentures legally issued by an association

shall be included in the net worth of the association for purposes of the act."

The application to purchase the ten offices was conditionally approved on May 16, 1983. The approval was conditioned:

> "... upon the requirement that the $6,000,000 unsecured subordinated note issued to Detroit & Northern Savings & Loan will not be retired unless approved by the commissioner. The commissioner will approve retirement of the note if the commissioner is satisfied that immediately after that retirement, Bloomfield Savings will have a net worth to asset ratio equal to at least the net worth to asset ratio that existed at the close of business on the date Bloomfield Savings acquired the ten offices of Detroit & Northern."

Bloomfield had previously expressed an intent to increase its capital base by selling stock. The purpose of the "condition" was to prevent early retirement of the subordinated note to the detriment of the association's net worth. The "condition" provided a bridge between the application approval date and the booking of the stock sale. On September 16, 1983, the association entered $10,695,000 on its books, representing the net proceeds from the sale of 1,150,000 shares of stock.

The acquisition of the ten Detroit & Northern branch offices resulted in a substantial change in Bloomfield's structure. Its assets increased to approximately $205,000,000, its offices increased from one to eleven, and its number of employees rose to about 80. The acquisition also presented Bloomfield with the problem of investing, quickly and prudently, the $160,000,000 in cash received from Detroit & Northern. Bloomfield's answer was to purchase mortgages and land contracts.

Its Mortgage Report dated July 1, 1983 shows that Bloomfield had:

Whole loans purchased	$ 3,351,915.53
Participation loans purchased	108,644,188.49
Conventional mortgages originated	130,100.00
Consumer loans originated	5,700.00

This same report indicates that $106,159,511.01 of the $108,644,188.49 participation loans were purchased from outside Michigan. Bloomfield's method of operation, purchasing loans rather than originating loans, has continued to date, as shown below:

	Loans Originated	Loans Purchased
July 1983	$ 70,000	$ 29,238,154
August 1983	157,000	14,488,068
September 1983	344,000	38,170,709
October 1983	186,700	32,117,552
November 1983	280,000	29,731,586
December 1983	377,300	45,843,419
January 1984	-0-	3,178,170
Totals	$1,415,000	$192,767,658

The loans originated and purchased are largely short-term or interest sensitive, i.e., 3-5-7 year balloon mortgages, variable rate loans, or consumer loans. This minimizes the risk attendant to an asset-liability interest rate and maturity mismatch.

Purchasing loans from out-of-state sources to the near exclusion of loans on Michigan property may be justifiable if no market for loans in Michigan exists. This is not the case for the Detroit SMSA. Sixteen savings and loans doing business in the Detroit market closed $1,844,920,000 in mortgages during 1983. A more detailed illustration of the mortgage demand in the Detroit area is revealed in a monthly mortgage summary prepared by Lawyers Title Insurance Corporation which disclosed the following:

Individual Mortgages Made by Corporate Lenders ($200,000 and Under)

1983	Total	Wayne County	Oakland County	Macomb County	Washtenaw County
June	$229,892,901	$68,949,559	$103,031,959	$35,643,572	$22,267,811
July	254,255,273	70,969,344	107,850,666	38,942,174	36,493,089
August	274,794,520	81,636,952	124,116,200	42,618,115	26,423,253
September	249,429,158	76,523,389	111,815,873	38,015,289	23,074,607
October	210,561,131	66,082,639	92,544,504	31,871,981	20,062,007
November	216,502,385	71,926,033	97,377,666	33,666,477	13,532,209
December	214,403,534	60,039,080	103,034,662	33,739,644	17,590,148

These totals do not include mortgage loans over $200,000. Furthermore, lenders who make less than 10 mortgages are not included in the figures. During the second half of 1983, Bloomfield was never listed as a corporate lender in the $200,000 and under category. During that same period, it was listed as making only two mortgage loans, one for $280,000 and one for $207,000.

Capitol Federal

On August 9, 1983, Bloomfield filed an application to acquire two offices of Capitol Federal Savings & Loan Association located in Lathrup Village and Pontiac. The Purchase Agreement called for Bloomfield to receive from Capitol Federal, " . . . a sum of money equal to: the deposit base less an agreed discount, less the market value for the real estate and the book value of the equipment." In addition, Bloomfield contracted to service approximately 3,300 mortgage accounts representing approximately $84,000,000.

The commissioner's review of this application raised two issues. First, there was a concern over the rapid growth of Bloomfield and the possibility that Bloomfield's safety and soundness might be affected by an inability to develop staff, policies, programs, procedures and audits to accommodate this most unusual level of growth. Second, the commissioner was concerned that Bloomfield was not servicing its market by, in effect, exporting its lendable funds to areas outside Michigan.

On September 30, 1983, a meeting was held with Kenneth J. Robinson and David C. Collins, representatives of Bloomfield to discuss these concerns. Because of the potential problems associated with rapid growth, Bloomfield was encouraged to review its position and to refrain from further actions which might compound any problems which had not yet had the opportunity or time to surface. A discussion of the second issue, lending in Michigan, resulted in a written commitment by Bloomfield to originate

loans in Michigan. This commitment was formalized in a letter dated October 3, 1983, signed by the Chairman and the President of the Association, which stated, in part:

> "Our loan origination program is being designed to achieve a level of $5 million in mortgage loans each month until June 1984 and $10 million thereafter."
>
> and,
>
> "Bloomfield expects to become an aggressive lender in Michigan. The best source of loans is from our branch operations and loan brokers throughout the State. This is consistent with our overall philosophy of making as many loans as possible to maximize fee income from originations and servicing after the loans are sold. By keeping our portfolio liquid, we are in a better position to continuously originate, sell and originate new Michigan loans; thus putting more dollars into loans than we obtain in deposits. Since we expect to be selling our loans in a national market, this will generate dollars from outside the State for use in the State."

Based upon the representations made on September 30, 1983 and again on October 3, 1983, the commissioner conditionally approved the application to acquire the two Capitol Federal offices. As regards the probability of success of the two new branches, the Bureau's Savings and Loan Division's Report and Decision states, in part:

> "In May of 1983, applicant acquired ten branch offices scattered around the Detroit Metropolitan area. The two offices to be acquired should integrate well with the existing branch network. The acquisition of the ten branch offices resulted in the association's receiving a very large amount of cash. The association had to invest the cash quickly or create a potential solvency problem. The answer was to purchase loans. Because of the need to obtain a high yield and a corresponding positive spread most of the loans acquired were from states other than Michigan. The eventual result of this strategy should be a greater level of funds available for applicant's loan origination program than would have been if the association had endeavored to originate loans rather than purchase them. Applicant states 'our loan origination program is being designed to achieve a level of $5 million in mortgage loans each month until June 1984 and $10 million thereafter.' Because applicant will receive approximately $45 million in cash from Capitol Federal for the acquisition of the two offices it will be compelled to adopt the same investment format as it did with the purchase of the ten offices. Purchasing loans improves the association's liquidity, and according to the association 'By keeping our portfolio liquid we are in a better position to continuously originate, sell, and originate new Michigan loans, thus putting more dollars into loans than we obtain in deposits.' The association has indicated an intent to provide a broad range of loan services to include mortgages, automobile loans, home improvement loans, student loans, and other consumer type loans."

> "Considering the size of the deposit and mortgage base of the two offices being acquired, the location of the two offices, staff capabilities, and applicant's intention to aggressively service its market area (deposit and loan), it is the conclusion of the Supervisor that the two offices have a reasonable probability of success."

Although Bloomfield had represented it would sell loans, thereby making more dollars available for lending in Michigan, as of year-end 1983, it had not sold any loans.

As of December 31, 1983, Bloomfield's balance sheet shows assets of $374,745,557, deposits of $262,709,361, borrowings of $95,000,000 and net worth of $13,861,247. Total loans during 1983 were $301,080,849 ($1,545,000 in loans originated by applicant and $299,535,749 in loans purchased) of which approximately $9,357,000 were on Michigan properties. During 1983 Bloomfield Savings had purchased loans totaling $37,199,094 from Michigan corporations. This latter figure includes the loans on Michigan properties. Since year-end 1983, the association has committed to originate or purchase approximately $4,200,000 in loans on Michigan properties. Bloomfield's net worth to asset ratio as of December 31, 1983 is computed at 3.70% and it reported earnings of $1,459,992. On an annualized basis, its 1983 return on average assets computed to 0.78%. Thirteen offices are now in operation and staffing totals approximately 120.

Standard Federal

In early December, 1983, a Detroit newspaper article reported the sale of a number of Standard Federal Savings and Loan Association branches to Bloomfield Savings was planned. The article indicated that the transaction was expected to be consummated by the end of March, 1984. To date, no branch applications have even been received by the Bureau.

Application for Conversion to Federal Charter

On December 1, 1983, a copy of the Federal Home Loan Bank Board's preliminary approval of Bloomfield's application to convert to a federal charter was received by the Financial Institutions Bureau. This procedure is in accordance with sections 806 and 810 of the Act. On January 11, 1984, Bloomfield's plan of conversion was filed with the Bureau together with other information required by sections 806 and 810.

Section 806(1) of the Act authorizes a mutual or stock association to convert into a federal mutual or stock association. However, it also requires that "All conversions under this section shall be subject to approval by members of the association and by the supervisor, and by all federal supervisory authorities having jurisdiction over the resulting association." Implicit in the power to approve is the right to deny.

The reason for converting, as disclosed in Bloomfield's proxy statement to the stockholders was stated as follows:

> "The Board of Directors of Bloomfield has concluded that this conversion to a federally chartered association will be beneficial to the operation of Bloomfield since it will eliminate dual regulation (i.e., both state and federal). The conversion should facilitate Bloomfield's plans to establish a national focus. In addition, a federally chartered association has greater investment authority for home improvement and consumer loans, fewer reports need be filed and there are fewer restrictions on the

payment of dividends. Further, Bloomfield's experience has been that dealing with Federal regulators will result in fewer practical constraints on management."

Conversion Issues

As noted above, section 806 of the Act requires the commissioner's approval for an association to convert to a federal charter. Section 810 lists several conditions that must be met in issuing an order to carry out the requirements of section 806. One of these conditions is that the commissioner shall require the plan of conversion to be "adopted and implemented in a form and manner so that stability and continuity of management are encouraged and so that the stability, safety, and soundness of the associations are not impaired."

In the commissioner's analysis of Bloomfield's application for approval of its conversion to a federal charter, there are two basic issues. The first relates to the safety and soundness of the association. The second can be termed service to the community.

Safety and Soundness

In the 14 months that Bloomfield has been in operation, its assets have grown to more than $375 million. This rapid growth is not typical of a newly chartered savings and loan association. In fact, this degree of growth has not been experienced by any other Michigan financial institution.

Bloomfield's abnormal growth has come from its acquisition of branches from other associations. The form of the acquisition can generally be described as the receipt of cash in exchange for Bloomfield's assumption of deposit liabilities. Included, of course, in the assets received in these transactions were branch offices, furniture and fixtures, equipment, etc. However, the greatest amount of these acquired assets was cash.

At the time the acquisition of the Detroit & Northern branches was proposed, the commissioner understood that Bloomfield would have to find short-term investments for the large amounts of cash that would be received. As a short-term strategy, Bloomfield invested in packages of mortgages purchased in the secondary market. This was considered prudent by the commissioner because Bloomfield's liquidity was put to work producing income rather than being held until Bloomfield could place the funds in locally generated mortgages. At that time, the commissioner's concern for Bloomfield's safety and soundness was evidenced by the conditions attached to the approval of the purchase of the 10 Detroit & Northern offices.

Upon the commissioner being satisfied that Bloomfield had adequate short- and long-term plans for utilizing the large dollar amount received from Detroit & Northern, the commissioner's conditioned approval required Bloomfield to maintain its net worth to asset ratio at a level at least equal to that which existed prior to the acquisition. Of particular importance to the commissioner was the requirement that Bloomfield's then anticipated sale of capital stock would generate sufficient capital funds to both pay off the unsecured subordinated note to Detroit & Northern and still maintain an adequate net worth.

As pointed out earlier, Bloomfield has made little progress on its long-term plans for utilizing the funds received from Detroit & Northern to originate mortgages locally. Bloomfield has recognized arbitrage profits from buying mortgages at discount in the secondary market and earning on the spread between its cost of funds and return on

assets. Apparently Bloomfield became enamoured with this method of operation and rather than emphasizing efforts to operate as a lending institution, it proceeded to make application to acquire two offices of Capitol Federal.

At the time of that application, the commissioner was concerned that Bloomfield was committed to a strategy of growth by acquisition and a consequent abandonment of its original plans to generate deposits and mortgage loans in its own community. However, based upon representations and commitments made by Bloomfield, these two offices were approved. The commissioner has now learned that Bloomfield has borrowed $95 million from the Federal Home Loan Bank to increase its ability to arbitrage. It has also earned mortgage servicing fees from some of these purchased mortgages.

As of this date, and as a consequence of its manner of operation, Bloomfield's asset growth has far exceeded its ability to generate income from operations. Its reliance on earnings from the spread between purchased assets and assumed liabilities has resulted in a deterioration of its net worth. The table below amply demonstrates the level and trend of the net worth and the ratio of net worth to assets.

	Assets	Net Worth	Ratio of Net Worth/Assets
June 1983	$204,729,301	$ 8,378,469	4.09
July 1983	205,204,155	8,539,677	4.16
August 1983	204,399,660	8,541,408	4.18
September 1983	246,473,591	13,566,423	5.51
October 1983	290,060,583	13,674,754	4.72
November 1983	322,717,489	13,750,482	4.26
December 1983	374,745,557	13,861,247	3.70
January 1984	373,966,126	12,723,693	3.40

Bloomfield's stability, safety, and soundness are yet to be proven. Its history of operation to date has not evidenced the normal growth pattern of a typical savings and loan association. There is insufficient information available for the commissioner to conclude that there are no problems with Bloomfield's financial safety and soundness. Bloomfield's earnings generated from operations as opposed to earnings from commitment and servicing fees are relatively insignificant.

At such time as Bloomfield begins liquidating its purchased mortgages to place funds in locally generated mortgages, it may have to sell at a discount thus offsetting commitment fee income it has already recognized.

Assuming Bloomfield is committed to serving its community as it has represented, the commissioner has concerns about Bloomfield's capacity and ability to both accommodate its rapid growth and commence mortgage lending operations locally. At this time, and in recognition of Bloomfield's announced intention to acquire additional offices from Standard Federal, the commitment to engage in the business of a savings and loan association as opposed to being a mortgage broker is seriously in question.

In the opinion of the commissioner, Bloomfield has not demonstrated either the operational or managerial attributes that warrant a conclusion that it is a safe and sound institution. Of no small consequence in this conclusion is Bloomfield's demonstrated lack of ability or willingness to perform according to its own plans for operations as a savings and loan association in its own community.

Service to the Community

Bloomfield has grown to more than $375 million in assets in 14 months and is contemplating purchasing additional branches. In spite of this growth and the representations made to the commissioner in its various applications to date, Bloomfield has not been significantly involved in mortgage lending activities in its community. Bloomfield has likewise failed to fulfill the representations made in its securities disclosure documents.

Financial institutions are expected to serve their local communities. In particular, the credit needs of the community are to be served. Examples of this expectation are found in the federal Community Reinvestment Act of 1977, PL 95-128, 12 USC 2901; which provides at section 802:

> ". . . (a) The Congress finds that:
>
> (1) regulated financial institutions are required by law to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business;
>
> (2) the convenience and needs of communities include the need for credit services as well as deposit services; and
>
> (3) regulated financial institutions have continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered.
>
> b) It is the purpose of this title to require each appropriate federal financial supervisory agency to use its authority when examining financial institutions to encourage such institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions."

While the commissioner is not directly charged with the responsibility for enforcement of the Community Reinvestment Act, the law evidences a policy involving service to the community to which the commissioner fully subscribes.

Michigan's policy in this same area is expressed by the Anti-Redlining Act, 1977 PA 135, MCLA 445.1601; MSA 23.1125(1), and the various acts associated therewith to promote enforcement such as Public Acts 77, 78, 79, 84, 85, 86, 87 and 88 of 1979. Both the federal and state laws reflect the concern that financial institutions generally, being creatures of statute, must serve the purposes for which they were chartered, particularly in the lending area.

Bloomfield's expressed intention to serve its community has been thoroughly discussed above. Its record to date in making mortgage loans in its community has also been set forth. The commissioner is aware of Bloomfield's mortgage document which has the service mark name of Bloomfield Mortgage. Although Bloomfield has indicated that substantial time and effort have been expended in the development of the Bloomfield Mortgage, few loans have been made to date. The most recent information available from Bloomfield discloses that 3 mortgages totaling $163,800 have been closed through

Feburary 24, 1984. Additionally, Bloomfield has approved 29 mortgages totaling $1,384,000 and has received 170 applications amounting to $9,432,000.

In view of the record of Bloomfield's mortgage lending activities, discussion of future plans and representations of intent to serve the community are mere speculation. Bloomfield has evidenced, by its actions and by its published reasons for applying to convert to a federal charter, that it intends to establish a national focus. It expects to be able to operate with less constraints and regulations as a federally chartered savings and loan association.

The inference to be drawn from Bloomfield's application to convert is unmistakable. It is also in direct conflict with the commitment made in the letter of October 3, 1983 wherein Bloomfield affirmatively agreed to achieve a level of $5 million in local mortgage loans each month until June 1984 and $10 million thereafter.

In view of the size to which Bloomfield has grown and its explicit plans for future expansion, these levels of local mortgage lending activity have to be considered as an absolute minimum. Given an asset base in excess of $375 million and a mortgage demand evidenced by lending activities of other lenders in the Detroit area alone, there can be little doubt that Bloomfield could do far better in serving local mortgage needs than it has committed to, let alone actually done.

Bloomfield has responded to its community obligations by seeking to convert to a federal charter where it will be under less constraints than it is now. Certainly a part of these constraints are the commitments Bloomfield voluntarily made to the community, depositors, investors and the commissioner. Attempting to flee its obligations by converting to a federal charter amounts to an abuse of the conversion process.

Bloomfield is taking advantage of the FHLBB's apparent lack of concern for its local lending activities. In spite of the fact that the Community Reinvestment Act requires the FHLBB to encourage savings and loan associations to help meet the credit needs of the communities in which they are chartered, the FHLBB has, with neither examination nor comment about these concerns, already given preliminary approval to Bloomfield's conversion. Likewise the FHLBB has apparently given no consideration to the commitments made by Bloomfield regarding service to the local community. Certainly, there has been no documented requirement that, upon conversion, Bloomfield would be required to satisfy the commitments it has made. The commissioner is not convinced that, if Bloomfield is converted to a federal charter, these concerns will be recognized and respected. At the very best, the commissioner has yet another promise to consider.

To the contrary, Bloomfield's expectations under a federal charter are that it would be able to continue its methods of operation which include growth by acquisition and the exportation of locally generated deposits to other states through the purchase of mortgages.

Conclusion

Bloomfield has utilized the state chartering system to become a savings and loan association. It has used that same system to acquire substantial assets by representing that it would serve its local community. Now that the commissioner has questioned its intentions, Bloomfield has elected to apply for a federal charter. The commissioner cannot, in good conscience, condone this method of operation any longer. The commissioner is of the opinion that there is an affirmative obligation placed on the Financial Institutions Bureau to do that which is necessary to ensure that state chartered

associations comply with the State's policy of safety and soundness and community service.

The commitments made by Bloomfield likewise place an affirmative obligation on it to do things that have not yet been accomplished. The commissioner has, in the past, expected voluntary compliance by Bloomfield. It is now clear that both the commissioner and Bloomfield consider these obligations as regulatory constraints. So long as these regulatory constraints exist, an attempt to escape them by applying to convert to a federal charter is contrary to the purposes of which a conversion would be allowed and an abuse of process.

The commissioner is concerned that approval of the conversion to a federal charter would allow Bloomfield to escape the burden of the regulatory constraints placed on it. The FHLBB has, in the opinion of the commissioner, little understanding for either the safety and soundness or the community service concerns discussed above. Lacking a history of working with Bloomfield on an on-going basis, the FHLBB may be unwittingly accepting an association with which it may be unable to cope. The FHLBB could conceivably rely on representations of Bloomfield as to ability and intention to the detriment of the Federal Savings and Loan Insurance Corporation and to all savings and loan associations generally.

The commissioner believes that Bloomfield's demonstrated lack of respect for regulatory authority, processes and policies will ultimately cause problems that should not casually be transferred to the FHLBB. The extraordinarily rapid growth of Bloomfield has created a situation which, in the opinion of the commissioner, may result in serious problems. State and federal regulators of financial institutions have experienced the problems that can arise when growth outstrips an institution's ability and/or willingness to recognize the purposes for which an institution receives its charter and the obligations it assumes when it utilizes that charter. Uncontrolled growth has, in the recent past, been a factor in several problem institutions and failures. When coupled with a disregard for the authority of those agencies responsible for supervision of depository financial institutions, the potential that an institution will become a serious problem multiplies.

The commissioner is also of the belief that an institution using deposits received from the public as its primary source of funds is under a greater obligation than an organization operating primarily with equity capital. The obligation of the former is to acknowledge its responsibility to the public over that to its shareholders. The expectation that such an institution will be safe and sound is paramount to the survival of the financial system. Bloomfield has not, by its actions, demonstrated that it recognizes that public responsibility. Likewise, the actions of the FHLBB in regard to this matter, indicate a lack of understanding of Bloomfield's operational philosophy.

There is one last comment relating to the manner in which Bloomfield has grown. Bloomfield assumed the deposit liabilities of the Detroit & Northern and Capitol Federal offices in return for discounted cash payments from the sellers. As a result of this, Bloomfield has an intangible asset, Goodwill, which will amortize over a significant number of years. At year-end 1983, the asset amounted to $29,897,960. Since this intangible asset is of value only to an on-going institution, were Bloomfield to be liquidated, this amount would be netted against net worth, leaving a deficit position when 1983 year-end equity of only $13,861,247 is considered. If the anticipated acquisition of the Standard Federal offices is consummated, this deficit will grow much larger.

Notwithstanding the serious concerns and issues raised in this Order, the commissioner recognizes that the Federal Savings and Loan Insurance Corporation (FSLIC), as insurer

of the deposit in Bloomfield has the ultimate concern for safety and soundness because the FSLIC insurance fund is at risk for those deposits in Bloomfield that are $100,000 or less. The FSLIC, because it presently insures Bloomfield, even as a state-chartered institution, should be aware of the condition of Bloomfield and has entered into an agreement whereby Bloomfield would be required to fulfill its obligations to make mortgage loans in Michigan. This agreement is attached hereto as Appendix A and is incorporated as part of this Order by reference. In fact, this agreement and the commisisoner's reliance that the agreement will be enforced is a most significant part of this Order. The FSLIC and the FHLBB must monitor the safety and soundness concerns as a part of the regulatory responsibilities of those federal agencies. The FSLIC has agreed to enforce the service to the community considerations in its agreement with Bloomfield. Therefore, the commissioner is of the opinion that very little else may be done to right the conditions and operational philosophy of Bloomfield than to rely on the FHLBB and the FSLIC to adhere to their responsibilities. To deny Bloomfield its conversion in view of these agencies' commitment and responsibility appears to be counter-productive.

Therefore, the application of Bloomfield Savings and Loan Association to convert to a federal charter is APPROVED.

DEPARTMENT OF COMMERCE
FINANCIAL INSTITUTIONS BUREAU

Dated: March 30, 1984

Eugene W. Kuthy
Commissioner

AGREEMENT

THIS AGREEMENT entered into this 22nd day of March, 1984, by and between BLOOMFIELD SAVINGS & LOAN ASSOCIATION, a Michigan Capital Stock Association, with its principal office located at 6525 Telegraph Road, Birmingham, Michigan 48010 (hereinafter referred to as "Bloomfield Savings") and the FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION, an Agency of the United States Government, with its principal office located at 1700 G Street, Washington, D.C. 20552 (hereinafter referred to as "FSLIC").

W I T N E S S E T H :

WHEREAS, Bloomfield Savings is a Michigan Chartered Capital Stock Savings and Loan Association; and

WHEREAS, the accounts of Bloomfield Savings are insured by FSLIC according to Certificate of Insurance No. 5796, dated December 9, 1982; and

WHEREAS, Bloomfield Savings and FSLIC are entering into this Agreement in order to set forth the terms of an oral agreement between them.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, receipt and sufficiency of which are hereby acknowledged, it is agreed by and between the parties hereto as follows:

1. Commencing with the date of this Agreement and continuing until the cumulative total of loans equals at least Twenty-Five (25%) percent of its assets (at which time this Agreement shall terminate), Bloomfield Savings shall originate (including the purchase of newly originated loans) an average of $10,000,000 of residential real estate loans per month. Loans may be made by Bloomfield Savings directly or through its subsidiaries. For the purpose of this Agreement, "loans"

shall be defined to mean residential mortgage loans on properties located in the State of Michigan.

2. FSLIC shall enforce the obligations of Bloomfield Savings under this Agreement, according to the laws and regulations governing FSLIC and its insured institutions.

IN WITNESS WHEREOF, the undersigned have hereunto signed this Agreement the day and date first above mentioned.

In the Presence Of:

BLOOMFIELD SAVINGS & LOAN ASSOCIATION, A Michigan Capital Stock Association

Lucy A. Roesler

By: Kenneth J. Robinson
Its: Chairman

Lucy A. Roesler

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION, an Agency of the United States Government

Robert L. Olhausen

By: Gordon J. Husk
Its: Supervisory Agent

Robert L. Olhausen

SPEECH PRESENTED BY COMMISSIONER KUTHY TO THE MICHIGAN ASSOCIATION OF COMMUNITY BANKERS

September 21, 1984

I appreciate this opportunity to speak with you today and see the spectacular Grand Traverse area in autumn. Mr. Trautz suggested a couple of weeks ago that I speak on the topic, "The Future of the Community Bank in Michigan."

To be entirely frank, my crystal ball is a little foggy right now. Mr. Foster just told you everything you ever wanted to know about a piece of legislation that may simplify formation of one-bank holding companies in this state. If it's enacted, that's going to be a real pearl for independent banks. And there are some other features of that legislation which could make the future a lot rosier for you and your stockholders - statewide merger authority and interstate banking. There are other bills out there to increase your lending limits, to remove your borrowing limits, to let you invest in downstream holding companies - bankers' banks - and to let you take an equity interest in new and growing businesses.

But all these bills are in limbo right now. As you know, recall elections last fall changed the composition of the Senate. The new Republican leadership is still formulating its legislative agenda, and it's not clear at this time whether any of the pending bills will be on that agenda.

I'd like to be able to say the future is bright for community banks, but under the circumstances, who can say? At this time, however, Michigan's financial institutions are generally healthy and serving the financial needs of Michigan residents. During 1983, we removed eight banks from our list of problem banks and added only five banks, for a total at year-end of 26 - just over 10% of the total of 251 state banks. The list is not static, and most banks do not remain on the list very long. Problems in the newly-designated problem banks included lack of adequate liquidity, asset deficiencies, poor earnings, inadequate capital, and, significantly, management's inability to cope with changing market conditions and boards of directors failing to formulate and implement necessary policies of operation. I don't have to tell you how much banking has changed in the past 10 years. Congress, federal agencies, the Bureau, and the state Legislature have all had a hand in the deregulation that has occurred.

The most prominent area of change to date has been removal of deposit interest rate ceilings and minimum deposit requirements. When the six-month money market certificate was created in 1978, your cost of funds started going up. NOW accounts in 1980 pulled no-cost money out of checking accounts. Super NOWs made a big dent in savings account balances in 1983. In those five years you had begun facing heavy competition from money market mutual funds. In just five years, your deposit environment had progressed from heavily regulated and static to market oriented and variable.

Today, some banks are taking advantage of new security brokerage authority to compete with mutual fund sponsors on another plane. Discount brokerage services are gaining popularity among bank holding companies - and yet another recent entrant into the financial services marketplace, retailers.

Electronic funds transfer is thriving in the state. Bank holding companies are growing fast. Thrift institutions have encroached on traditional bank turf; nonbanks have reared

their ugly heads in several states; South Dakota gave banks permission to sell insurance everywhere but in South Dakota; charge card issuers in California, New York, South Dakota, and Delaware are eyeing your credit card customers.

Banks long accustomed to operating in a highly regulated environment have found that deregulation and new competitors have placed a stronger emphasis on management talents. This has exposed institutions with inadequate management to a much higher level of risk to their safety and soundness, accounting for some of the increase in our current problem bank list. New loan, investment and deposit-generation opportunities also have increased significantly the speed at which institutions can get into serious trouble.

As the nature of banking has changed, so too, bank regulation has evolved. Changes in financial institutions mean that regulators can't effectively regulate in the same way they did a decade ago. And, contrary to expectations in some quarters, deregulation of the financial industry has not reduced the role of state and federal regulatory authorities. This is unlike the experience in deregulation of the airlines.

Our response to changing conditions has been to pursue additional techniques and mechanisms for monitoring financial institutions' performance. Remote off-site automated surveillance will be playing an important role in our revised programs. The uniform bank performance reports we have been receiving for some time have enabled us to perform some limited off-site analysis prior to examinations, which helps examiners to focus their examinations on certain areas. But new micro-computer technology will give us access to better information on a more timely basis. It will facilitate financial modeling -- we'll be able to play "what if?" games that will help us to understand how changes in market conditions will and do affect banks, individually, and collectively. We'll be able to generate timely reports that will alert us to changes in institutions' asset and liability structures which are outside the norm, and we'll be able to produce peer group summaries for comparison. Machine generation of consolidated and comparative data will free examiners' time for closer inquiry into quality of, and adherence to, formal policies and operating procedures, and quality of management.

Our budget submissions for the next two years offer evidence of our commitment to achieving these goals. We have asked for money for more machines, and, to aid in the transition, more people. These people will be working with existing staff, instructing in the productive use of micro-computer equipment; developing systems that will enable us to communicate electronically with our federal counterparts, developing programs or selecting software to meet our financial modeling, analysis, word processing, and data base requirements, and identifying areas in which use of micro-computers offers a cost-effective alternative to present procedures.

Our budget requests also reflect increasing amounts to be devoted to training. Development of a highly professional staff of examiners sensitive to potential problem areas, trained to evaluate new product offerings and new operations technology, and capable of communicating their concerns to management and boards of directors effectively is not inexpensive. Last year, 23 of our examiners attended examiner training schools developed and sponsored by the Conference of State Bank Supervisors (CSBS), an association of my counterparts in the fifty states. These schools ranged from a beginning school for bank examiners, to schools for senior personnel, to CSBS sponsorship of attendance of two Michigan bank examiners at graduate schools of banking in Texas and Colorado. The direct costs of such training to the Bureau have been relatively low, because such programs are funded primarily from dues paid by banks which have become associate members of the conference. CSBS, through associate

member dues, also assumes 40% of the cost of sending state bank examiners to FDIC-sponsored schools on trust examination, international banking, and EDP work programs. Despite the substantial subsidization of costs of such training programs, these schools cost us over $14,000. During 1984, we plan to send nine examiners to CSBS-sponsored schools, two to FDIC schools, and three to training sessions sponsored by the Federal Financial Institutions Examination Council. Just last week, another bank examiner was awarded an all-expenses-paid scholarship for three years to a graduate school of banking.

This heavy emphasis on training has not, I hope, led you to believe that I feel Bureau examiners presently are not good examiners. I feel, and based on its heavy utilization of my staff as teachers in its schools, CSBS apparently concurs, that Michigan's bank examiners are among the best in the country. In fact, Joseph Petterson, a former examiner who is now in charge of the corporate structure section of the Bureau's Bank and Trust Division, has been named Vice-Chairman of CSBS' Education Committee. Our emphasis on training is intended to assure that Bureau staff maintain the same standard of excellence in the years to come as they deal with the increasingly complex financial institutions of the not-too-distant future.

I hope soon to have a more concrete substantiation of my assertion that Bureau staff are highly professional and well-equipped to handle the responsibility of assuring the continued safety and soundness of Michigan's state-chartered banks. CSBS has developed an accreditation program for state banking departments which has a two-fold purpose. First, it will provide to federal regulatory agencies objective evidence of the quality, reliability, and dedication of state banking departments. This is crucial, since if federal regulators are to reduce their role in direct supervision of state-chartered banks, they will have to rely more heavily on reports generated by state agencies. Second, the results of the review will be useful internally as a management tool, since it will give us a basis of comparison with our peers in the regulatory business. It will point out areas in which we may need improvement and make suggestions on how to achieve those improvements.

The accreditation process commences with a lengthy self-evaluation, in which the state agency rates itself on a scale of 1 - 5 on such things as adequacy of legal support, ability to identify goals, clarity of organizational purpose, adequacy of funding, reliability of funding sources, ability to have input into the legislative process, and a host of other questions. These are designed to ferret out whether we know what we're supposed to do; whether we have a strategy for achieving those goals; whether we have and will continue to have adequate financial, human, and other resources necessary to achieve our goals; whether we are now achieving our goals; and whether we have support from higher levels for our programs. In conducting our self-evaluation, we asked 30 employees of varying seniority at various levels within the Bureau -- examiners at all levels, regional supervisors, managers, policy analysts, and secretaries -- to answer all the questions to the best of their ability. The three Deputy Commissioners are compiling the responses. They have found it useful to learn how other insiders' perspectives on our operations differ from their own. I think the employees' responses will also help us to identify areas where we need to do a better job of disseminating information. Thus, even without the objective of eventual accreditation, this has proved a useful exercise.

The next step will be submission of the self-evaluation to CSBS for review. If the self-evaluation and statements supporting our ratings are deemed satisfactory, we'll be scheduled for a visit from an audit team composed of my counterparts from other states. It's a lot like what you go through during a bank examination -- all the skeletons come out of the closet -- but it's a lot shorter. Their findings go back to a review panel composed of people from the General Accounting Office, the FDIC, and other state bank

regulators. If we meet their standards, which are pretty high, we receive certification for a five-year period which is conditioned upon our periodic filing of self-evaluations.

This program is new. Only one state --Illinois -- has been evaluated, and the review panel has not completed its work. But Bill Harris, Illinois Banking Commissioner and President of CSBS, says this process has been an invaluable learning experience for him and his staff. I think it will be ~~a good ex~~perience for us and, ultimately, will give us greater credibility with federal regulators and other outside organizations. (Of course, as Vice-Chairman of the CSBS Performance Standards Committee, my opinion of the value of the program is entirely unbiased.)

Another area on which we are focusing is self-regulation. Effective self-regulation for banks means a well-informed management and board of directors, clear and concise policies and procedures which are followed, and a well-informed customer base, among other things. Directors today assume no greater responsibility than their predecessors. However, meeting that responsibility for sound operation of the bank has been made more difficult today by the deregulation which has occurred and, consequently, by the speed with which things can get out of hand. Those who may be inclined to take their responsibilities lightly should keep in mind that directors may be held personally liable for irresponsible actions which cause loss to the bank. I just recently dealt with a situation in which a board of directors knowingly lent money in an amount in excess of the legal limit. While the loans involved ostensibly were made to several different parties, ultimately they went to the benefit of one individual. When the borrowers defaulted, it was brought to the attention of the directors that their liability for losses incurred by the bank in the situation could approach $70,000 each. Fortunately, their collection efforts averted a major loss, but directors did have to cover a small loss from their own pockets. I have just issued a Bank Bulletin on unitization of loans, with which all directors should become familiar.

Our examiners will also be placing a renewed emphasis on communicating to management and boards of directors their findings regarding strengths and weaknesses in an institution. We are removing from the report of examination the paragraph limiting your release of information in the "confidential" section. The Bureau will continue to keep this information confidential, but we want you to be able to share with your audit firm and your holding company this important information. The CAMEL rating will continue to be provided, both in aggregate and by factor, along with the reasons for each rating. If you disagree with the rating for any given factor, we'll be happy to consider any evidence you can provide in support of a higher rating.

This leads me to the subject of scope and frequency of examinations. Where feasible, we plan to reduce the frequency of our examination of banks whose CAMEL ratings are 1 or 2. We need to devote more time and effort to banks that are 3's and 4's to assure that they are resolving the problems that caused those ratings. If, indeed, there is another recession waiting just around the corner in the new year, I want all of Michigan's state banks to be in condition to withstand the stress. This does not mean that 1 and 2 rated banks will be ignored, but many will see a reduction in frequency of state examinations as well as a narrower scope of examination. As I mentioned earlier, I believe our micro-computer analysis will enable examiners to focus their on-site efforts on areas which really need their attention.

While some banks may be seeing us less often, when we do appear, it may, occasionally, be in the context of an examination of their parent or affiliates. We were pioneers this spring when we engaged with federal regulators in the first simultaneous examination of all the banks in a major bank holding company and of the holding company itself. Though

the coordination effort was enormously complex, I believe that all of us benefited from the opportunity to observe each other's methods and from the different perspectives we brought to our discussions of the major issues. I expect this type of coordinated effort to become quite common in the coming years. The process of benchmarking a holding company's position as of a single date was so beneficial that I plan to conduct a similar exercise with each of the holding companies in the state in the next two years.

This simultaneous examination process resulted in a better understanding of the roles of each of the four bank regulatory agencies and, I think, a new spirit of cooperativeness. This first simultaneous examination was, I think I can say, an unqualified success, and it has opened the door for similar efforts in the future. It has given us a valuable tool for viewing the broader picture of a subsidiary banks' relationship with its parent and its affiliates.

We have, of course, for years worked jointly with federal regulators on the examination of large and complex banks and on problem bank situations. We have also joined in the divided or alternative programs of the FDIC and FRB to relieve well-run banks of the burden of two examinations each year. But, as you know, the Bush Task Force report recommended that these agencies reduce their role in bank examination and direct supervision. The FDIC has announced that its involvement in examinations will decline in coming years. This, too, creates a greater urgency for development of tools and techniques that will enable us to assume increased responsibility for monitoring institutions in a rapidly changing environment.

In closing, the Financial Institutions Bureau is getting more than a face lift. The changes we're making are molded on a new philosophy of regulation that will utilize the new tools technology has provided; that will provide the training necessary to keep a highly professional staff abreast of changes in the financial environment and in the techniques effective in monitoring that environment; that will cultivate and reap benefits from cooperative relationships with federal financial regulatory agencies; and that will develop channels for the flow of information to and from the industries we regulate in order that we may more efficiently and effectively perform the safety and soundness role with which we are charged. If you want to have a hand in helping us to set course for our new horizons, I welcome your thoughts.

SPEECH PRESENTED BY COMMISSIONER KUTHY TO THE LANSING ROTARY CLUB

September 28, 1984

I'm pleased to be able to chat with you today about my job as the regulator of financial institutions in Michigan. When Governor Blanchard first spoke with me about the vacant position of Commissioner of the Financial Institutions Bureau, I was intrigued but I had about as much knowledge of it as you have now. Before I committed to anything, I did some research and I had a long talk with the people who were running the Bureau between appointees - and who are now my deputies.

I learned that the Bureau is a Type I Agency of the Michigan Department of Commerce - which means that its regulatory and supervisory activities are conducted independently, but that for such administrative matters as budget and personnel, it works with the Department of Commerce. In early 1983, it had a staff of about 116 and a budget of roughly $4.5 million. The more I learned, the more challenging the job seemed; and since I thrive on a good challenge, I accepted the Governor's offer with alacrity.

I have subsequently realized they were all lying with kisses and vastly understating the scope of this challenge. If I had time to reflect on it, I might suspect they were actively seeking out some poor, unsuspecting devil like me. I have, since then, informed them I am no longer interested in purchasing the Brooklyn, Golden Gate and Mackinaw Bridge.

To be serious for a moment, imagine the administrative problems posed by the sheer number and variety of institutions the Financial Institutions Bureau regulates. I'm often referred to as the "Banking Commissioner"; but state banks account for only about 248 of the 2,994 organizations we regulated at year-end 1983. There were also 516 credit unions, 20 savings and loan associations, 88 small loan companies, 82 second mortgage companies, 15 companies licensed to sell travelers checks and money orders, 1,746 installment sellers of motor vehicles and 244 sales finance companies. To complicate things a bit, there are also 1,693 state and national bank offices licensed as sales finance companies; the sale of check licensees have 5,584 agents; the banks have 1,140 branches; and the savings & loans have 120 branches.

In terms of dollars however, the banks had $29.9 billion of the $37.7 billion total assets of state chartered or licensed lending institutions in 1983.

Let me clear up one small point before I go into how we regulate these institutions. I am not the supervisor of all banks, credit unions, or savings and loans in the state. There is a dual system of regulation for these depository financial institutions. That is, they have a choice of asking for a charter from either the state or federal government.

The bank regulator at the national level is the Comptroller of the Currency; the federal savings and loan regulator is the Federal Home Loan Bank Board; and federal credit unions are supervised by the National Credit Union Administration. Another layer of federal supervision is imposed on both state chartered and federally chartered depositories, and that is deposit insurance. The Federal Deposit Insurance Corporation, Federal Savings & Loan Insurance Corporation, and National Credit Union Share Insurance Fund insure to $100,000 each person's funds in each bank, savings and loan, and credit union, respectively. All national banks are also members of the Federal Reserve System and state banks have the option of becoming Fed members. Finally, <u>all</u> bank holding companies - companies that own one or more banks - are subject to regulation by

the Federal Reserve Board. At the end of 1983, there were 26 one bank holding companies in Michigan and 23 which owned more than one bank. One hundred thirty four state banks and 85 national banks in Michigan are owned by holding companies and these control 84% of the total deposits of all banks in Michigan.

Now, back to how we regulate them. The Financial Institutions Bureau has two primary missions. First, we must assure that the state's depository institutions are operated in a safe and sound manner in compliance with state and federal laws. Second, we want to assure that financial institutions are meeting the needs of the public.

I think that's a pretty heavy responsibility. This safety and soundness supervision distinguishes depository institutions from money market funds. Our economy has long been supported by the public's faith in the safety of their deposits. When they make a deposit in a bank, they fully expect to be able to withdraw it, and the government has fostered this expectation -if by no other means than the Federal Deposit Insurance in effect since 1934. Deposits are not at risk. Investments in money market funds, on the other hand, are at risk. There's no guarantee an investor can retrieve his/her funds at will.

Maintaining public confidence in our depository institutions is an important goal of the Financial Institutions Bureau. Our arsenal of tools for achieving that goal includes careful reviews relative to applications for new institutions, new branches, or trust powers; ongoing analysis of financial reports filed with the FDIC; and periodic on-site examination. You might be interested to know we're not bean-counters any more. Bureau examiners are reviewing management quality - whether the board of directors has developed a game plan; whether there are written policies to achieve the plan which comply with applicable laws; whether the policies are followed. They also look at quality of assets, earnings, adequacy of capital and amount and nature of liabilities.

Our focus on the non-depository institutions we supervise is somewhat different. Safety of deposits is not a factor here; consumer protection is the primary goal. These laws generally require disclosures to consumers about the terms of the credit being extended - the annual percentage rate, payment amount, costs of insurance - and about any security being retained. Examinations under these acts include checking whether required legal notices are posted and checking individual loan records to assure that payments are being posted correctly, that interest is accruing properly, and that any early payoffs are correctly computed.

Consumer protection is also a primary purpose of Michigan's 1977 Mortgage Anti-Redlining Act. In addition to prohibiting discrimination in mortgage lending based on the age or location of the property or the condition of other homes located more than 750 feet away from the property being mortgaged, the law requires lenders to report to me annually by neighborhood on the number, dollar amount, and average terms of mortgage and home improvement loans they've made during the year. My staff analyzes the data for evidence of trends or patterns in lending activities and their findings are published annually.

The Anti-Redlining Act also requires that lenders post notices in lending locations and provide information on terms to facilitate consumer comparisons. The voluntary mortgage review boards that help people who feel their mortgage loans were unfairly denied are a mechanism created by this law.

Since I assumed office, the Financial Institutions Bureau has added to its safety and soundness, financial service availability, and consumer protection goals, a mission of

encouraging greater financial institution involvement in the Governor's economic development programs. Governor Blanchard appointed me to this post, he said, because he wanted a fresh perspective on the industry. He also expressed a desire to have capital and credit providers involved in his economic development and job creation plans, recognizing that their participation will be a major determinant of the success or failure of his revitalization efforts.

To that end, my staff has developed legislation to permit state chartered depository institutions to make investments in venture capital companies and to make direct equity investments in new and emerging growth companies. I have also supported bills designed to bring new sources of capital into Michigan. A bill to allow foreign banks to establish loan offices in Michigan has passed both Houses and has been presented to the Governor for signature. It would not only increase the supply of investment capital to Michigan businesses, but might encourage foreign businesses to locate their U.S. offices in Michigan. We've already received inquiries from the Bank of China and Korea Exchange Bank about opening agency offices here.

I have also encouraged institutions to look seriously for potential investments in Michigan before they send their deposit dollars out of the state. I am doing what I can through established mechanisms to assure that we are not creating mechanisms to facilitate the out-flow of capital and deposits from Michigan. I'm not trying to build a dollar-tight wall around the state, but I would like to see Michigan's needs met before funds flow out to California.

Last autumn, for example, I told a young, fast-growing savings and loan that I wouldn't approve its applications to purchase branches of other institutions because it wasn't meeting the credit needs of the local community. In a year of operation, with assets grown from $2 million to about $380 million, it had made one mortgage loan. The proceeds of 14 branch purchases had been used to buy over a hundred million dollars worth of mortgages made in California and other states. The institution promised to make $5 million of Michigan mortgages each month until June 1, 1984 and $10 million a month thereafter - then decided to convert to a federal charter.

It was about then that I brought to its board's attention a never-used power granted me by the Savings and Loan Act to deny conversion applications. The association now has a federal charter, but I think it is significant that the federal regulator has agreed to hold it to its promise to make sizeable mortgage loans in Michigan.

Another of my regulatory decisions during my first year in office which epitomized our new commitment to Michigan's revitalization, was approval of an application by the Stroh family to charter a special-purpose bank, the River Place Financial Corporation, in the riverfront area of Detroit. The bank neither accepts deposits from nor lends to the general public. Its purpose is to coordinate financing for a ten-year, $140 million, 35-acre residential, commercial, and professional development in the eastside riverfront area. I believe that this special purpose bank will benefit this otherwise economically-depressed area through increased employment opportunities during the development and renovation phase, and, in the long run, bring new reasonably-priced housing and new commercial and professional job opportunities.

I hope this brief talk has explained something of what the Financial Institutions Bureau is, what it does, and where it fits into the bigger picture of state government. I am very excited about the Bureau's stronger role in economic development initiatives and about the foundations we have laid during the past sixteen months toward strengthening the state's financial institutions.